

CADCO DEVELOPMENTS LIMITED
ROYAL VICTORIA SAUSAGES LIMITED
VICTORIA WHOLESALE MEATS LIMITED

Report

Our Terms of Reference

1. We were appointed on the 23rd December, 1964, in the following terms:

"The Board of Trade in pursuance of the powers conferred on them by Section 165(b) of the Companies Act, 1948, hereby appoint Mr. Randle Owen Charles Stable, Q.C., of 2 Crown Office Row, Temple, E.C.4. and Mr. Horace Owen Harrison Coulson, Chartered Accountant, of Alderman's House, Bishopsgate, London, E.C.2. to act as inspectors to investigate the affairs of the above named companies and to report thereon in such manner as the Board may direct".

Our Method of Working

2. We soon realised that if our report was to be of value, speed was of prime importance, and that the affairs of the companies were so complicated, that unless we gave ourselves over to investigating them at the expense of our other activities we should never get to the heart of the matter. Accordingly from the 18th January, 1965, we sat to hear evidence from day to day, halting only when one or other of us had an engagement to which he had committed himself before the date of our appointment.

Our Report. What it Seeks to Achieve

3. Our report tells the story which surrounds the affairs of these three companies and others associated with them in, as far as possible, chronological sequence. We have not complicated the body of our report with dissertation as to what evidence we accepted and what evidence we rejected. Our report simply seeks to answer the question "what happened?" A copy of the really important documents referred to in our report accompanies it in the form of a schedule. We have kept our comments on the facts to the end of our report which concludes with our opinion and recommendations. We think all facts stated in our report can be proved before a tribunal that requires the complainant to prove his facts beyond the balance of probabilities, and to the point of certainty.

4. We came to the conclusion early in our investigations that it would be impracticable to write a separate report for each of the three companies into whose affairs we were instructed to investigate. We also discovered that the affairs of these companies were so interlocked with the affairs of other companies associated with them, that it has been necessary to investigate certain aspects of other companies' affairs in addition to the three to which our appointment related.

W. & F. Philbrock

5. For very many years prior to 1960, there existed a small butcher's shop at 11 Victoria Terrace, Hove, carried on under the name of W. & F. Philbrock. Sometime in 1957 the Philbrocks wished to retire and the business was acquired by a Mr. S. J. E. Thomas. He agreed to buy the stock and fixtures for £375 on terms that he would pay the Philbrocks the £375 without interest out of the profits he made, as and when he could. He took a 7 year lease of the shop with an option to take a further 7 year lease at its conclusion.

Mr. Thomas Takes a Partner

6. Unhappily Mr. Thomas was not very successful in his business. He was lenient towards those who saw no urgency in paying his bills and consequently slow in paying his own. In 1959 the money owed by Mr. Thomas slightly exceeded the money owed to him. One of his customers more substantially indebted to him than most was a housewife, Mrs. Mollie Loraine, who had run up a butcher's bill to the order of £160. This bill was discharged in the somewhat unusual manner, by the debtor's husband, a Mr. Denis Henry Loraine, (hereinafter called Loraine) persuading Mr. Thomas to take him

into partnership under an agreement dated the 9th September 1959. In the agreement the consideration moving from Loraine, who is therein described as a scriptwriter, is not stated. Under it the partnership was to be carried on in the name "S.J.E. Thomas" and Mr. Thomas's share of the profits was to be 20% and Loraine's 80%, notwithstanding a provision that any further capital, which might at any time be required for efficiently carrying on the business, should be contributed by the partners in equal shares and a provision that Loraine should only be required to devote to the business such time and attention (if any) as he should in his absolute discretion think proper, but that Mr. Thomas should devote the whole of his time and attention thereto and not directly or indirectly engage or be concerned or interested in any business other than that of the partnership. Before dividing profits Mr. Thomas was to be paid "such weekly salary not exceeding £10 per week as should be agreed between him and Mr. Loraine".

7. We were told that the consideration moving from Loraine was that Loraine would pay off the debts which Mr. Thomas had incurred up to the 9th September 1959. Mr. Thomas was led by Loraine to believe that he was an air-freight plane navigator earning a salary of £400 a month and that Mrs. Mollie Loraine was an air hostess on the same plane.

8. On the 27th September 1959, Mr. F.J. Philbrock sent Loraine a copy of a recipe for making sausages which were known as Royal Victoria Sausages. The word "Royal" was used in the name because the sausages contained a seasoning called Royal. The word "Victoria" was used because the sausages were made on the premises at 11 Victoria Terraces. They had proved a popular line.

The Partnership is Determined

9. The partnership lasted one calendar month. On the 8th October, 1959, Mr. Thomas agreed to assign his interest to Loraine in return for Loraine relieving him from liability in respect of some small debts which he owed Loraine. This agreement was implemented by a deed of assignment dated the 29th October, 1959. Under this deed the partners assigned the business to Loraine together with all its fixtures and fittings, stock in trade, book debts and other assets, but left Mr. Thomas to discharge all the debts and liabilities incurred prior to the 9th September, 1959, and tied him to a covenant in restraint of trade, which precluded him from directly or indirectly carrying on or being concerned or interested in the business of a butcher and/or grocer within three miles of 11 Victoria Terrace for three years.

10. As payment of the debts incurred prior to the 9th September, 1959, by Loraine, was the consideration for which Mr. Thomas let Loraine in as a partner, and as Mr. Thomas undertook to discharge them under the deed of assignment, it follows that Loraine had worked himself into Mr. Thomas's business and then forced Mr. Thomas out of it at virtually no cost to himself. Loraine was assisted in this by a firm of solicitors called Bosley & Co. of 10 and 11 Pavilion Parade, Brighton, 1.

11. Mr. Thomas remained on as an employee until an illness forced him to hospital when he was peremptorily dismissed. Whilst Mr. Thomas was employed in the business, Loraine told him that it was no use going to the banks to borrow £100 as they were not interested. "Ask for £10,000 and they get interested because they are thinking of the interest they will get out of it".

The Incorporation of Royal Victoria Sausages Ltd.

12. Having acquired the little butcher's shop, Loraine was instrumental in having a company incorporated. The name proposed was Victoria Sausages Company Limited. Prior to the date of incorporation the Registrar of Companies was persuaded to register the Company with the name Royal Victoria Sausages Limited (hereinafter called R.V.S.). This was on the strength of a story that King Edward VII, when Prince of Wales, had come across the sausages made by Messrs. W. & F. Philbrock, whilst staying with a member of the Sassoon family and had enjoyed them so much that thereafter regular supplies of sausages were sent to him and that the Company, when incorporated, was going to take over the business, which owned the recipe for making the sausages, which had so impressed the Prince of Wales. The firm did indeed own the recipe referred to in paragraph 8 for making sausages, written out in the handwriting of one of the Philbrocks and the Company was indeed going to acquire that business and with it the recipe. At the bottom of the recipe, however, in the same hand as the remainder of the writing on the document were the words "Made on the premises of W. Philbrock Victoria Terrace since May 1919".

13. The initial share capital of R.V.S. was £1,000 divided into 1,000 shares of £1 each. The subscribers were Loraine, described in the Memorandum as a script-writer and Mollie, his wife, who each took one share.

14. By an agreement dated the 18th March, 1960, between Loraine of the one part and R.V.S. of the other, it was agreed that Loraine should sell and R.V.S. should buy

the business at 11 Victoria Terrace, Hove, as a going concern, together with the goodwill, the lease and the benefit of all subsisting contracts, for £7,000 to be satisfied by the payment to Loraine of £2,000 by the issue to Loraine or his nominees of 502 shares of £1 each in R.V.S. credited as fully paid up and by leaving the balance of £4,498 as owed by R.V.S. to Loraine. The agreement was expressed to give effect to verbal arrangements already made. Completion was to take place on the 1st April, 1960, though it was stated that the said sale and purchase should operate from the 1st February, 1960.

15. The only balance sheet and profit and loss account of R.V.S. which an auditor has felt able to certify without very many qualifications relate to the period from 1st February, 1960, to the 30th April, 1961. These accounts were prepared and certified by Walpole Harding & Company, Chartered Accountants, of 49, Montpelier Road, Brighton, and show that over the period R.V.S. made a gross profit of £43,440 and a net profit of £5,280. Throughout the period of the account R.V.S. was carrying on business at 11 Victoria Terrace. For the last month of the period R.V.S. also carried on business from factory premises at Partridge Green, near Horsham.

16. From the day R.V.S. extended to Partridge Green until the 11th November 1964, the date upon which a Receiver was appointed, the company incurred continuous and heavy losses.

17. Everything about R.V.S. was calculated to mislead. Its stationery asserted that it was established in 1850. One variety of notepaper had a crown printed in red above the words "1850 purity and quality" which were flanked by a lion on one side and a unicorn on the other. This device was printed on its wrappers and blazoned on the fleet of vans and lorries which it early acquired.

The Raising of Capital

18. Almost as soon as R.V.S. started trading, it caused Bosley & Co. to have inserted various advertisements to appear in the press, which seem to us to have been in breach of the Prevention of Frauds (Investments) Act 1958 and were bound to mislead. The advertisement which appeared in the issue of the "Evening Argus" for the 25th April, 1960, is a typical example.

"BUSINESS OPPORTUNITIES"

Well Established Sussex Business with sound trading prospects manufacturing and distributing food products in popular demand, requires additional liquid capital for national expansion. Substantial interest in company available. Directorship considered."

19. Apart from advertising for capital, R.V.S. advertised its products extensively and the story of King Edward VII's liking for them gained R.V.S. considerable publicity in the Sussex press. "For years a really good sausage recipe was hidden in a small Hove butcher's shop. King Edward VII ate them and they were christened 'Royal Victorians'." This, an extract from "Mainly for Women by Jill" appearing in the issue of "Evening Argus" for the 1st February 1960 is typical of many a reference to R.V.S. in articles aimed at rousing the interest of housewives.

Mr. William Dunlop

20. The first cash which these advertisements produced came from a Mr. William Dunlop, who now resides in Aden. By an agreement dated the 14th April, 1960, Mr. Dunlop "bought" and R.V.S. "sold" 125 shares of R.V.S. for £2,500 and Mr. Dunlop took employment with R.V.S. as Manager at a weekly salary of £30 for a period of three months from the 14th April 1960. At the expiration of three months the agreement was to cease but provided that

"If the company shall be desirous of appointing the Manager as a Director of the Company and the Manager shall agree then and in such event the Manager shall be entitled to purchase forthwith an additional 125 shares of the company at £20 per share should he so desire. ... If at the expiration of this agreement the Company shall not wish to appoint the Manager as a Director of the Company or if the Manager shall himself not desire to become a Director of the Company, then in such event the Company shall purchase from the Manager the 125 shares issued to him on the signing hereof at the price of £20 per share".

This agreement was drafted by Bosley & Co. and seems to overlook the legal inability of a company to purchase its own shares.

21. On the 23rd May, 1960, Mr. Dunlop was appointed a Director and given the right to purchase the further 125 shares referred to in the agreement of the 14th April, 1960, within one month of the 23rd May, 1960. His name appears on stationery in use in June 1960 as a director, though no return was ever made showing him as a director or as having had more than 125 shares allotted to him.

Mr. Cecil Percival Reeve

22. On the 23rd May, 1960, Mr. Cecil Percival Reeve, who had also seen advertisements in the press was also induced to provide further share and loan capital. He described to us some of the advertisements in the following answer.

"There were many advertisements before that. They took the form of - have you seen those advertisements where, unless you read at the top where it says 'Advertisers' Announcements' it sounds as if it is somebody reporting on something. Several of those appeared and it sounded as if somebody had been to the place and tested the goods and painted quite a pretty picture of them, but until you read the top where it says 'Advertisers' Announcements' and I did not read that. Afterwards we knew Loraine wrote those advertisements".

23. When Mr. Reeve parted with his money he received a receipt which, in view of the spelling mistake, does not appear to have been drawn by Bosley & Co. The receipt is Document 1 of the schedule of documents annexed hereto.

24. The agreement referred to in the receipt was executed on the 26th May, 1960, and provided for the purchase of 50 shares in R.V.S. at a price of £20 a share, and the employment of Mr. Reeve as Manager at a salary of £20 a week for a period of six months from the 26th May, 1960, during which time he was more particularly to act as South Coast Area Supervisor. The agreement also made provisions, comparable to those in Mr. Dunlop's agreement, for R.V.S. to appoint Mr. Reeve a director at the end of the six month period or to buy back his shares. It also provided that Mr. Reeve should lend the Company £2,000 for six months. The agreement like that of Mr. Dunlop's contained some unusual features, but its unusual features are as nothing compared to those of the so-called share certificate which Mr. Reeve received with the agreement. The certificate is Document 2 in the schedule of documents annexed hereto.

25. Apart from the money referred to in Mr. Reeve's agreement Loraine persuaded Mr. Reeve, on about his first day as Manager, to take up 32 further shares of R.V.S. at £20 a share and a little later to lend Loraine £300.

26. Fortunately for him, Mr. Reeve knew something about carrying on a retail business, having been a Manager in various branches of J. Sainsbury Ltd. It did not take him long to discover that the way R.V.S. conducted its business was not to be compared with any within his previous experience. Within a month he had had enough. He described the shortcomings of R.V.S. in the following terms:

"The company was not being run at all and Loraine was not really interested in selling sausages; he was only interested in money, and there were no records of journeys; there were no records of the amount of goods sold; we could not find out what the sausages contained; we did find out that the samples that were sent out were not the same as those that went into the orders. We asked him at the time - when I say 'we' that is Dunlop and I - what had happened to the money that we had paid into the company, because we found out that travellers were calling and pressing them for their money and they were not getting it and we also knew that there were two actions against him in the local County Court, for various things, and he told us that he had bought equipment and machines, that it was stored somewhere or the other - and I forget where it was now - and he had also paid a deposit on twelve mini-vans from the Dreadnought Company in Bove. We went down and they did not exist ... Dunlop and I discovered that money went into the shop and he just took it out of the till and put it into his pocket".

27. Mr. Reeve was also put off Loraine and R.V.S. by a suggestion which Loraine made to him early in their association and which Mr. Reeve rejected, that there was no need for anything to be paid or deducted from Mr. Reeve's salary for Income Tax or National Insurance contributions.

Allegations of Fraud

28. Both Mr. Dunlop and Mr. Reeve severed their connections with R.V.S. and took legal advice and both started proceedings. Mr. Reeve sued R.V.S., Loraine and Mrs. Mollie Loraine. By his statement of claim he alleged that he had been induced to enter into the agreement of the 26th May, 1960, by the fraudulent misrepresentation of Loraine acting for R.V.S. and on his own behalf and that of his wife. Mr. Reeve's action was settled on terms which insured that he was not out of pocket as a result of getting involved in the affairs of R.V.S., which is an indication of the validity of his charge of fraud.

29. Mr. Dunlop started two actions. In the first, against R.V.S., he claimed the return of money lent. This action Mr. Dunlop settled for less than the full amount of the claim, his solicitors being doubtful whether R.V.S. were worth powder and shot. In the second against R.V.S. and Loraine which arose out of his purchase of R.V.S. shares, Mr. Dunlop alleged that Loraine had been fraudulent. This action was terminated by a payment to Mr. Dunlop of a sum of money which represented the full amount of the price at which R.V.S. had originally agreed to buy Mr. Dunlop's shares back from him in certain circumstances, which by then had arisen.

Mr. David John Black

30. At about the time Messrs. Reeve and Dunlop started trying to sever their connection with R.V.S., Loraine started borrowing money from a Mr. David John Black as follows:

30th June 1960	By cheque payable to Loraine	£ 300
5th July 1960	By cheque payable to Loraine	£ 500
6th July 1960	By cheque payable to Loraine	£ 500

19th July 1960	By cheque payable to Loraine	£1200
26th July 1960	By cheque payable to Loraine	£ 400
27th July 1960	By cheque payable to R.V.S.	£1300
10th August 1960	By cheque payable to Loraine	£ 480
9th September 1960	By cheque payable to Loraine or bearer endorsed R.V.S. the costs of the debenture hereinafter mentioned	£2060
9th September 1960	By cheque payable to Loraine endorsed by R.V.S.	£ 40
23rd September 1960	By cash to Loraine	£ 530
30th September 1960		£ 150
		<u>£3000</u>

(Note: Relevant documents are in the custody of Messrs. Aubrey Croydsale & Stern of 15a Grafton Street, London, W.1. as solicitors of Mr. Black)

31. As will be seen, some of these loans were apparently personal to Loraine and the remainder were to R.V.S. With effect from the 9th September Loraine's personal indebtedness was taken over by R.V.S. and Mr. Black was given a debenture by R.V.S. to secure the sum of £8,000. When this debenture was thought to be an impediment to obtaining further loans from other people, Mr. Black permitted its discharge without receiving any repayment.

Mr. Leo Lawrence Francis O'Connor

32. Shortly after Messrs. Dunlop and Reeve had become disenchanted an event occurred which had a remarkable effect on the future of R.V.S. A Mr. Leo Lawrence Francis O'Connor of Beresfords, Business Consultants of 34 St. James's Street answered an advertisement which Bosley & Co. arranged to be inserted for R.V.S. in an issue of "The Financial Times" in August 1960. This led to an association between Mr. O'Connor and R.V.S. which lasted approximately a year. He was instrumental in a firm of solicitors - Messrs. Stephenson Harwood & Tatham - becoming the solicitors of R.V.S., which in itself played an important part in subsequent events. He was assiduous in approaching on behalf of R.V.S. a number of institutions and private persons for new capital. We see no good purpose in listing those approached here, nor have we inquired of those that did not show great interest, to discover what they were told about R.V.S. in an effort to persuade them to take an interest. We have concentrated our inquiries on those who made offers to lend R.V.S. money or actually parted with money.

33. Whilst Mr. O'Connor was trying to raise new capital he lent comparatively small sums to R.V.S. now and again to tide it over and at one time persuaded a Mr. Anthony Meyley Wighey Severne to lend R.V.S. £2,000 in respect of which Mr. O'Connor gave a guarantee. Mr. O'Connor also bought 50 shares in R.V.S. from Loraine at a price of £10 a share.

34. Mr. O'Connor was instrumental in introducing R.V.S. to Industrial and Commercial Finance Corporation Limited (hereinafter called I.C.F.C.), and The Eagle Star Assurance Company Limited (hereinafter called Eagle).

35. At the time negotiations opened with I.C.F.C., R.V.S. was still carrying on its little business from Victoria Terrace.

36. As early as April 1960 Loraine had set his sights on an ex Ministry of Food war-time depot at Partridge Green, Sussex. Mr. Reeve had complained, of Loraine's representation that R.V.S. "was taking over" a factory at Partridge Green for the purpose of fulfilling its "existing" contracts for the supply of sausages, when both contracts for the acquisition of the factory and contracts for the supply of sausages had still to be negotiated and the combined contributions of Messrs. Reeve and Dunlop even when added to the existing funds of R.V.S. - as to which Mr. Reeve also alleged that he had been misled - would not have been sufficient to acquire and adapt the factory at Partridge Green, let alone to run the place once acquired.

Negotiations with I.C.F.C.

37. On the 10th August, 1960, Loraine accompanied by a Mr. Kenneth Dudley James, then an articled clerk with Messrs. Walpole Harding & Co. and now practicing in Shoreham, met a Mr. Hyman of I.C.F.C. and asked for a loan of £27,000 towards an expenditure of £13,750 for the premises at Partridge Green, £7,000 for converting the factory, £6,000 for refrigeration plant.

38. It is necessary again to record the representations made by Loraine. He had been a charter pilot and thought he ought to have a "bread and butter line" for his family, so went into sausages. He had bought the business of W. & F. Philbrock who had run a small butcher's and grocer's shop, among whose products were the Royal Victoria Sausages which had been produced since 1850. Demand for them since Loraine took over had increased "tremendously almost astronomically". Then two gentlemen had taken up 125 shares at £10 premium, with a view to becoming working directors, but

on three months' probation: that during that period it became obvious that they were unsuitable, that Loraine personally had bought the two gentlemen's shares from them and was buying the freehold of 11 Victoria Terrace from the Philbrocks for £5,000. That after spending £160 on advertising, further advertising had become unnecessary because the difficulty was to cope with demand. (Actually the advertising had been largely directed to obtaining loan and share capital and a £20,000 I.T.V. campaign to advertise the sausages was soon to be launched). Sales had leapt from £11,370 in February/March/April 1960 to £23,700 in May/June/July 1960. That at 31st July 1960, £15,600 was owed to and £4,600 by R.V.S. It was supplying hospitals under contract and could get more such business if it could cope: that British Railways wanted to take 50 tons of sausages a week for three years at 2/7d. a lb., which would show a 50% gross profit at present prices; that the customers and potential customers included Selfridges, Hudsons, D.H. Evans, London Grocers Limited, Kearley and Tonge, Barkers and Jacksons of Piccadilly, that the British Railways' business alone would produce a gross profit of £7,000 a week, which could well be doubled by other business, e.g. with hospitals, chain stores and shops. Draft accounts to support the figure of £35,000 for sales in the first six months, with a profit of £12,000 were produced at the meeting.

39. Having considered the application for £27,000, I.C.F.C. offered on the 27th October, 1960, £12,730 - £2,730 by way of subscription for 273 shares of £1 each at £10 per share and £10,000 by way of loan at 8% to be secured by a debenture creating a first fixed charge on the Company's present and future freehold and leasehold property, fixed plant and other fixtures and a first floating charge on all other assets of the Company subject only to a floating charge in favour of Lloyds Bank on the debtors and stock of the Company to secure not more than £20,000 at any one time outstanding. This offer was accepted on the 2nd November, 1960. In the acceptance, which was forwarded to I.C.F.C. on the 2nd November, 1960, by Bosley & Co. R.V.S. warranted, among others, that:

- (1) The financial position of the Company at 31st July 1960 was that disclosed by the Company's interim balance sheet and accounts at that date.
- (2) I.C.F.C. had been fully informed of all known and anticipated liabilities.
- (3) No litigation against R.V.S. was pending or threatened.

All legal formalities to complete the transaction had to be completed by the 30th November, 1960, but Loraine asked for an extension of time for completion.

40. The offer of I.C.F.C. was then used to persuade Lloyds Bank (Hove Branch) to provide finance to enable R.V.S. to acquire the Partridge Green factory pending the completion of the I.C.F.C. loan. R.V.S. told I.C.F.C. and Lloyds Bank (Hove Branch) that R.V.S. had to complete the purchase of Partridge Green on the 31st October, 1960. There being no time to complete the loan arrangements with I.C.F.C. Lloyds Bank (Hove Branch) provided the necessary finance on being given an undertaking by I.C.F.C. that, provided the formalities were completed by R.V.S. in accordance with the terms of the offer, the loan from I.C.F.C. would be forthcoming. Before giving the undertaking, which I.C.F.C. in the result could not honour, Loraine gave I.C.F.C. an irrevocable authority and a request as a Director of R.V.S. to give the undertaking.

Negotiations with Eagle

41. Concurrently with the I.C.F.C. negotiations R.V.S. was negotiating with Eagle for a mortgage advance of £15,000 at 6½%. Eagle was also shown the draft accounts for the first six months of R.V.S.'s trading showing the substantial profit of £12,000. It was told, by Loraine what Mr. Philip John Reader of Eagle described in evidence as a romantic tale about R.V.S. having discovered a Royal warrant of King Edward VII's reign allowing Victoria Sausages to be called Royal Victoria Sausages. Despite advice from its valuers, Messrs. Henry Butcher & Co., not to lend money on the security of the factory at Partridge Green, Eagle decided to do so and in January 1961 made an offer to R.V.S. This offer was accepted by R.V.S. but later Eagle declined to go on with the matter, as it was perfectly entitled to do.

42. In the Eagle transaction Messrs. Stephenson Harwood and Tatham acted for R.V.S. This firm of solicitors had already become aware of some of R.V.S.'s practices and felt embarrassed thereby. They felt it their duty, we think rightly, to tell Eagle's solicitors that they had had to warn R.V.S. that unless it mended its ways they, Messrs. Stephenson Harwood and Tatham would cease to act. Mr. J. Jeremy Moreton, who was then a partner in Messrs. Stephenson Harwood and Tatham and the partner dealing with the negotiations with Eagle for R.V.S., told us that it was obvious to him that the fact that his firm was acting for R.V.S. was being taken by others as a sign that R.V.S. was a sound, respectable concern, whereas Mr. Moreton had become aware through acting for R.V.S. just how serious its position was.

43. Meanwhile the I.C.F.C. transaction was running into trouble. Its legal adviser, Mr. Bryan Leonard Mann, discovered from Loraine on the 7th December, 1960, that Loraine was in negotiation with Eagle. He also discovered that the R.V.S. cash budget

which I.C.F.C. had been given by Loraine in August 1960 no longer held good, and that Lloyds Bank were restive because R.V.S. had started discounting some of its book debts. On the 9th January, 1961, Mr. Mann extracted further information from Loraine. His evidence to us tells the story:

"I was by this time very sceptical of what the true financial position was and I was most anxious to have an up-to-date position presented to me; and it was then for the first time, on the 9th January, when he came to see me, that I learned about one or two little incidents which could well have been brought out a little earlier, I think. He told me about three cheques that had bounced about the end of October ... This had apparently reacted somewhat unfavourably on his most suppliers at Southfield, with the result that he was now having to pay cash for everything ... He also told me about a sum of £1,200 which had been paid to the Sheriff at Brighton and another £650 to other creditors, who appeared to have been paid, from what he told me, somewhere between the 7th November and 6th December. It was pretty obvious that the writs had been issued long before he had accepted the offer in fact, and this was the first indication of it ... and then he referred to needing £4,600 in connection with the purchase of the outside shareholdings from the two, I call them probationers, and the story he told me was that Dunlop subscribed for 125 £1 shares at £20 a share and Reeve took up 50 shares at the same price, with the arrangement that at the end of six months, if Loraine was not satisfied with them, he would have the right to buy their shares back at the same price. He said he could only do this if part of the loan account, his loan account, his personal loan account £7,000 could be utilised by payment back by the company, which of course involved the company being put in funds to pay it ... The following day ... he phoned again, asking whether there was anything else I wanted to know, and then it came to the real purpose of his call, which was to ask, could I please help to get another thousand or so on the overdraft on the Bank ... Then on the 26th January he came up to see me again. He told me that a Mr. P. E. Marsh, a Director of the Roturman group, apparently was interested in the Company and had expressed a willingness to purchase 150 £1 shares at £20 each and to advance £7,000 to the company, unsecured, at Bank rate, which I thought was a little extraordinary. He was proposing to use the funds, the £7,000, to purchase the Reeve and Dunlop shares".

44. The I.C.F.C. and Eagle episode ended with a meeting on the 3rd March 1961 attended by Mr. Moreton of Messrs. Stephenson Harwood and Tatham, Mr. Mann of I.C.F.C., Mr. Reader of Eagle, and Mr. James. Mr. Mann describes what transpired as follows:

"They put all the figures on the table and one then realised how desperate the situation was, and my immediate snap judgment was that no less than £35,000 was required to put the company on an even keel".

Mr. Philip Ernest Harley Marsh F.C.A.

45. It may at first sight seem a little surprising that Loraine, having so far kept such matters to himself, saw fit to make such full and apparently frank disclosures at his meeting with Mr. Mann on the 9th January 1961 of the financial difficulties of R.V.S. and to repeat those disclosures on the 3rd March 1961. The reason for his change of front may be deduced as being that he had been put in touch by Mr. O'Connor with Mr. Philip Ernest Harley Marsh, F.C.A., who seemed to offer greater prospects of capital support with fewer, if any, strings or controls upon R.V.S. or its Managing Director. Mr. Marsh, as mentioned in Mr. Mann's evidence quoted above, was a Director in the Roturman group of which Mr. Thomas Chambers Windsor Roe (hereinafter called Roe) was Chairman.

Mr. Thomas Chambers Windsor Roe

46. The importance of Mr. Marsh in this matter lies in the fact that he introduced the enterprise to Roe. Whilst Loraine was busy with I.C.F.C. and Eagle, Mr. O'Connor mentioned R.V.S. to Mr. Marsh as an enterprise in which it might be worth investing. Mr. O'Connor told him it was a little company which had developed from a butcher's shop and "was going great guns on the South Coast". Mr. O'Connor told him that I.C.F.C. was prepared to finance the company, but on terms which were not acceptable to the man who owned R.V.S. The fact that I.C.F.C. was prepared to lend R.V.S. money and the fact that the solicitors to R.V.S. were the highly respected and distinguished firm, Messrs. Stephenson Harwood and Tatham, impressed Mr. Marsh. He had also seen what he described as "quite a respectable reference" from a Bank relating to R.V.S. He then saw Loraine and was intrigued by the colourful story about the sausages and their recipe. He also saw I.C.F.C. - probably before the final breakdown of its negotiations with R.V.S. and Loraine and shortly after I.C.F.C. had made its offer because he was told of the offer and that it was believed that R.V.S. had distinct possibilities. Mr. Marsh decided to buy 150 shares from Loraine at £20 a share and lend R.V.S. £7,000, making a total investment of £10,000. He also mentioned the matter to Roe.

47. From this point on Roe plays a central part, and, we feel accordingly, that we should give some details of his career up to the time of his taking part in the activities of R.V.S.

Roe's Career

48. Roe was born in 1917. He is obviously of good education and qualified as a solicitor in 1939 at the age of 22. His record of service in the war of 1939-1945 is,

by any standard, impressive. He started his service in The Royal Sussex Regiment. He later held a number of staff appointments, carrying considerable responsibility. He was demobilised in May 1946 with the rank of Lieutenant Colonel, his last appointment having been D.A.Q.M.G. at the War Office. Whilst in the Army, he was awarded the M.B.E. (Military) and later advanced to O.B.E. (Military). The fact that he was only 29 when he left the Army, speaks for itself, when assessing how impressive was his military record. On leaving the Army he took employment with Messrs. Orr Dignam & Co. a well known and reputable firm of English solicitors, carrying on practice in Calcutta. In 1948, when he was 31, he was made a partner in Messrs. Orr Dignam & Co. and dealt principally on the company and tax side of that firm's business. In the three years that he was a partner in Messrs. Orr Dignam & Co. he was advanced to C.B.E. (Civil) for his work in channelling multifarious Christian charities in India into one trust. To be awarded the C.B.E. before one is 35 is a distinction which should not be underrated. In 1953 he left Messrs. Orr Dignam & Co. because of the uncertainty of the political and professional outlook in India and took employment as a solicitor with the Consolidated Zinc Corporation in London. After being a partner in a distinguished firm in private practice he, understandably, found being employed by a company as its full time legal adviser somewhat frustrating and left in 1955 to set up on his own in Switzerland. There he made a special study of the problems facing people who wish to immigrate there; companies, which wished to set up a place of business there; the consequences to businesses of the U.K. joining the common market and exploited his specialised knowledge of company and taxation law.

49. We have thought it necessary at this stage to give some details of the career up to the time of his taking part in R.V.S. of Roe, and we feel that we must, therefore, give parallel details of the career of the other leading spirit in this affair - Lorraine.

Lorraine's Career

50. Lorraine was born Denis Henry Edwards on July 22nd 1921 of humble but respectable parents in Bristol. His father was employed by the Great Western Railway Company as an engine cleaner, who, following an accident, became a railway gate-keeper. In 1939 Lorraine volunteered for service in the Royal Air Force and remained in the service in the rank of air craftsman until 1943 when he was discharged as medically unfit for further service. Thereafter he was spasmodically employed as a small part actor and film extra, and producer being at one time in partnership with a Mrs. Crook to produce plays at the Theatre Royal Stratford, a venture in which Mrs. Crook lost her investment of £2,000 in five months. We feel that it is not wholly irrelevant to note that he was twice divorced and thrice married before he was 33 years old and wholly relevant that he had been twice convicted of dishonesty. On the 6th October, 1950, he was fined £5 by the Metropolitan Magistrate sitting at Marlborough Street for obtaining money by false pretences and in September 1952 Lorraine was sent to prison for six months for his part in a confidence trick, which he played on a widow in conjunction with a man, who posed as a clairvoyant and who, for the purpose of the trick, was referred to as 'the professor' - Lorraine posing as a Squadron Leader, the son of a South African Baronet and as a man temporarily short of money because the receipt of a legacy, to which he said he was entitled, was delayed. The professor apparently forecast by drawing on his psychic powers that a handsome young man would enter the life of the widow shortly before Lorraine, then calling himself Raymond Metcalf, ingratiated himself with her. The Recorder of Hastings (Mr. Gerald Theisger, Q.C., as he then was) on the occasion of his second conviction described his activities when sentencing him "as coaxing money out of a middle aged widow".

Roturman Services S.A.

51. Roturman Services, S.A. was incorporated in Switzerland by Roe in 1959. Its objects are to assist companies which wished to expand into Western Europe. It has offices in various places on the continent and at No. 1, Old Burlington Street, London, W.1. Besides holding itself out as a specialist in foreign exchange control regulations and in taxation problems which inevitably arise, when an English company wishes to trade or set up a place of business abroad, it is able to offer its customers the use of office facilities, whilst they are in the process of setting up their own. At the end of 1960 Mr. Marsh was the director of Roturman Services in charge of the London office. Besides running Roturman Services, Roe holds a large number of directorships in companies of various nationalities. In consequence of his activities as a taxation adviser a number of these companies are personal investment companies registered in such places as Liechtenstein and Curacao. Some of these companies derive funds from the income of an individual or a family, for example, Cadco Investment N.V., (hereinafter called Investment) a Curacao company derives its funds from the earnings of Mr. George Sanders, the film actor. Benitax Investment N.V., (hereinafter called Benitax) is a comparable company to deal with the income of Mrs. George Sanders who, under

the name of Benita Hume, is a film actress of distinction in her own right. Besides these two there are others, some of whom have become financially involved in R.V.S. and later the Cadco affair.

Roe's Operations on behalf of Client Companies

52. Roe told us that before any investment was made by any of these companies, he in each case consulted the individual or individuals whose money was involved. Whilst this may have been true in the very early stages, we do not think it was true in the later stages, when, as we are satisfied, Roe was throwing good money after bad into the enterprise instead of letting his clients know that they had already lost large sums of their money. On occasions, however, we are satisfied that money belonging to Roe and his family was used to replace and so to repay money invested by him on behalf of clients.

53. Because the individuals concerned are all resident outside the jurisdiction of the English and Scottish Courts we have not investigated what representations, if any, Roe made to these people before their companies' money was involved in R.V.S. and later the Cadco affair other than hearing evidence from Mr. and Mrs. George Sanders and Roe, none of which was particularly satisfactory.

54. We have, however, seen a considerable volume of correspondence that passed between Roe and Mr. William Marsden Elverston-Trickett of Messrs. Elvy Robb and Co. the solicitors of The Honourable Mr. Neville Berry whose company Bramfield Investment Co. N.V., (hereinafter called Bramfield) lent money to and took shares in R.V.S. This correspondence was entirely concerned with reasons for delay in repayment of monies due to Bramfield, and for this reason we do not deal with it further in this report beyond the comment that it indicated a close interest by Mr. Berry and his solicitors in his investments and contains a large number of untrue statements by Roe.

(Note: The Elvy Robb/Roe correspondence is in the custody of Messrs. Elvy Robb & Co., 16a St. James's Street, S.W.1.)

The Purchase of Partridge Green

55. On the 7th November 1960 R.V.S. completed the purchase of the factory premises at Partridge Green. The purchase price of £13,750 was advanced by Lloyds Bank (Hove Branch) on the basis that R.V.S. had accepted the I.C.F.C. conditional offer and of I.C.F.C.'s undertaking that, provided the formalities were completed by R.V.S., I.C.F.C. would implement the arrangement. From shortly before the date of the completion until April 1961 the factory was being adapted to the needs of R.V.S.

56. From the 20th December 1960 until the 4th April 1961, the affairs of R.V.S. were in the hands of Mr. Marsh, as Chairman, with Mr. O'Connor, Lorraine and Mrs. Mollis Lorraine, as Directors. Mr. Marsh was responsible for administration and finance and, during this period, was continuously engaged in trying to produce the day to day requirements of cash to keep the company going. The company's account at Lloyds Bank (Hove Branch) was approximately £17,000 overdrawn. The branch became more and more restive about the account the longer the I.C.F.C. negotiations dragged on. An account at the Lombard Street Branch of the National Provincial Bank Limited was opened in December 1960 with £5,000 which came from a joint account of a Colonel Malcolm and Mr. Marsh. At the time this account was opened, the Bank Manager was shown a series of documents, some of which were, to say the least, misleading. He was shown, amongst these documents, a memorandum which Mr. O'Connor had prepared sometime prior to the 7th November 1960, for use in attempting to obtain finance and which had been used to commend R.V.S. to various people, including Mr. Marsh, and a paper dated the 9th December 1960 prepared by Mr. Marsh. Neither document is above criticism.

57. Mr. O'Connor's memorandum contains the following extract;

"After Lorraine had acquired the Philbrook business from the retired owner he found that some 160 years ago the business had made a feature of Royal Victoria Sausages and there is in existence a letter from H. M. King Edward VII which is extremely complimentary to the sausages and implying that only with the greatest reluctance would His Majesty eat any other kind of sausages".

58. This letter is shrouded in mystery. Mrs. George Sanders told us she had asked Lorraine about it. Her evidence throws some light on the improbability of such a letter as well as some light on Mrs. Sanders herself. Her evidence on this went as follows:

"Tom (Roe) came and told us this adorable story (at the time we thought it was true) about Denis (Lorraine) and the making of the sausages and the recipe and the King and all that. We were charmed by this. He told it so sweetly; then may be later that evening the thing about investing in it came up ... I said to Denis one day 'I wonder you had the nerve to produce that document I bet the ink wasn't dry'.

Q. What was his answer to this?

A. He giggled.

Q. Did he say what had happened to the document at the time?

A. Yes. In this respect he was quite funny. He said 'Wasn't it a shame. I was in this aeroplane

and it fell out". However I must explain this: that the villainy in question was that of a young man, a youngish man who had a wonderful product, that he was going to get over come hell or high water; so this story so far as I was concerned did not represent any wickedness on his part; rather to the contrary, I thought he had a lot of spunk."

59. Mr. O'Connor's memorandum also contains the following extract:

"Royal Victoria Sausages were an immediate success and in the period 1st February to 30th April 1960 the audited accounts show that no less than £11,370 worth were sold giving a nett profit of £3,361. In the period 1st May to 31st July, 1960 the sales rose to £23,478 giving a nett profit of £3,547."

These accounts were not in fact audited.

60. The memorandum then deals with the purchase of the factory at Partridge Green explaining that prior to completion builders for R.V.S. had gone in and started adapting the place and that £4,000 out of a proposed £7,500 had already been spent adapting it. The memorandum continues:

"The factory has been planned in a manner which will allow production to be increased some ten times and the Company does not visualise that further production space will be necessary for some considerable time. This is important because several approaches have been made to acquire the 2 acres of redundant land, and in this connection a figure of £14,050 has been proposed for the spare land only. The Company intends in the near future to accept the highest offer available."

61. According to the survey report dated the 12th May 1960 of Messrs. G.S. Butt & Co., which they prepared for R.V.S. the entire premises - factory, outbuildings, petrol store, road area and redundant land - amounted to only 2 acres and part of the redundant land was earmarked for an estate road. There is no reference in any of Mr. O'Connor's files, other than in the memorandum itself, or in any other file, which we have seen, to any approaches regarding this redundant land.

62. The memorandum further states:

"In each case the present suppliers to the Company are extremely happy and have promised their complete support for the Company's expanded production."

Several R.V.S. cheques to suppliers had been dishonoured by the time this was written and R.V.S. to the knowledge of Mr. O'Connor was existing on a hand to mouth basis paying cash for meat as no one in the trade would give it credit. The memorandum paints a wholly unrealistic picture of the state of negotiations with British Railways and ends by saying the Company needs £15,000 to complete the purchase of Partridge Green.

63. Mr. Marsh's memorandum cannot be described as any less misleading. He mentions having seen the accounts which he describes as certified accounts, which they were not. He says he has been told that the sales during the period August-October, 1960, produced a higher profit than the preceding quarter and he writes:

"It is anticipated that the 1st year of trading will show a nett profit of over £30,000".

The memorandum then sets out a list of assets shown as worth £57,500 and liabilities shown as amounting to £28,000, leaving nett assets (excluding goodwill) of £29,500. All these figures are the same as those put before I.C.F.C. which Mr. Mann discovered to be inaccurate when he saw Loraine on the 9th January, 1961 (see Paragraph 43 hereof).

64. Neither memorandum helped the R.V.S. account with the National Provincial Bank to run smoothly and on the 19th January, 1961, Mr. K.S. Head, the Deputy Manager, wrote to Mr. Marsh:

"I am writing to inform you that I do not like the way in which this account is being operated and I shall be glad, therefore, if you will kindly arrange for it to be conducted elsewhere".

65. The account was in fact conducted for a short time beyond the 19th January 1961, but on the 14th February, 1961, Mr. Marsh wrote to Mr. Head:

"This is to advise you that I have collected the cheque book and suspended operation on this account for the time being. As indicated in a previous letter the Company is contracting for further considerable funds through Roburman Laurence and I hope that it will be able to make a fresh start with you when these are to hand".

66. Having failed to establish permanent relations with The National Provincial Bank, where he kept a number of his own accounts, on the 11th February 1961 Mr. Marsh opened an account for R.V.S. with Lloyds Bank (Cox & King's branch), where Mr. O'Connor was known.

67. To show how precarious the position was on the 22nd February, 1961, an R.V.S. cheque for £500 was not met by Lloyds Bank (Hove Branch); and on the 23rd February, 1961, an R.V.S. cheque for £160 and on the 24th February, 1961, an R.V.S. cheque for £118 met with a similar fate.

68. By the 9th March, 1961, the position was temporarily eased. I.C.F.C. and Eagle had gone out of the picture finally on the 3rd March, 1961 (see Paragraph 44 hereof) but Roe was on the brink of producing £15,000, upon terms embodied in an agreement dated the 4th April, 1961.

Roe's First Investment

69. The agreement dated the 4th April, 1961, was between R.V.S. of the 1st, Loraine of the 2nd, Mrs. Mollie Loraine of the 3rd, Mr. O'Connor of the 4th, Mr. Marsh of the 5th, Pamit Investment Etablissement of Vaduz in the Principality of Liechtenstein (hereinafter called Pamit) of the 6th, and Roe of the 7th part, and is the

culmination of the efforts of Mr. Marsh and, to a lesser extent, Mr. O'Connor, over the preceding 3 months.

70. It recites the principal terms of the Marsh/Lorraine agreement of the 20th December, 1960 (see Paragraph 46); the fact that Mr. O'Connor had purchased 50 of Lorraine's shares for £500, which Lorraine had lent to R.V.S. since the 20th December, 1960; that Pamit had agreed to lend £12,000 to R.V.S. and to buy 150 shares from Lorraine for £3,000; that out of the £3,000, Lorraine had agreed to lend R.V.S. £2,500. The agreement also provides for Mr. Marsh's loan, Lorraine's loan and the Pamit loan being secured by an issue of three several debentures conferring a fixed charge on all the property and assets of R.V.S. and a floating charge on the undertaking and future assets. It further provides for Mr. Marsh and Pamit to have voting control of R.V.S., which was to be effected by Lorraine transferring 210 R.V.S. shares into the joint names of Mr. Marsh and Pamit until their loans were repaid; that Mrs. Lorraine should resign without compensation from her office as a director and that Roe should be appointed in her stead to represent Pamit. It contained a provision that if the creditors of R.V.S. should turn out to be owed more than £23,000, Lorraine's loan account should be reduced by the amount of the excess and an admission that of the money R.V.S. had paid to Mr. Reeve, £2,000 was the personal liability of Lorraine. It also contained a provision for the appointment of an 'expert' Secretary and Chief Accountant, for placing Mr. O'Connor under the control of Mr. Marsh instead of Lorraine and that Lorraine should not be required or permitted to exercise any control over the finances of R.V.S.

71. With one exception all parties signed the agreement which was treated by the remaining six as a binding contract. Mrs. Mollie Lorraine, however, refused to sign the document and objected to resigning her directorship 'without compensation'. In the outcome she succeeded in getting £2,000 paid to her by R.V.S. as the price of her resignation as compensation for loss of office and this sum was provided by Pamit.

72. At this point Mr. Severne's debt (see Paragraph 33 above) became repayable and was not repaid on the due date. On the 14th April 1961 he issued a writ against Mr. O'Connor for £2,220 being the amount of his loan to R.V.S. plus interest. His action was founded on a cheque which Mr. O'Connor had drawn on the 1st April, 1961, which was dishonoured on presentation, notice of dishonour being duly given to Mr. O'Connor on the 10th April, 1961. The matter was concluded by R.V.S. paying Mr. Severne out of the money provided by Pamit and the Severne - O'Connor action was discontinued.

Mr. Marsh's Chairmanship

73. Within weeks both Mr. O'Connor and Mr. Marsh had found Lorraine insufferable and had fallen out with each other, as is evidenced by their correspondence. Extracts from a letter from Mr. O'Connor to Mr. Marsh dated the 2nd May, 1961, in reply to Mr. Marsh's request that Mr. O'Connor should tell him what he had done for R.V.S. during April, though it may not have been despatched, illustrates the differences which had arisen. Mr. O'Connor writes:

"The above I think constitutes a fair summary of my activities on behalf of the Company during the month that has past and of course I read your letter of the 27th April as carrying the assumption that you in turn will report each month to your co-directors as to your own activities on behalf of Royal Victoria. I shall look forward to receiving your own account in due course and having a strong judicial strain I am reluctant to accept that your only activities were confined to Friday last the 28th, when I understand in the course of a few hours at Partridge Green you successfully procured the following in order.

- (a) The threatened resignation of two members of the Staff.
- (b) A further disruption of the already tense atmosphere existing between Mr. and Mrs. Lorraine.
- (c) The uttered threat that you would have me out of the Company.
- (d) A discount of 1/10th. on a joint of lamb drawn from the shop for your own personal domestic consumption.

"Whether the recent agreement, owing to the absence of Mollie Lorraine's signature is valid or not is clearly a matter for the respective Solicitors to decide. One thing is patently clear to me that it is not in the interests of this Company that you should continue as Chairman. I do not find this pleasant to say but you must appreciate that I have almost certainly had more experience of responsible Company Directorships than has fallen to you. This does of course include being Chairman of a Public Company".

74. On the 10th May, 1961, Lorraine in writing to Mr. O'Connor said:

"As a result of our earlier conversation and in the light of what happened yesterday, I am of the opinion that we can no longer continue working together and therefore in the interests of the Company I must ask you for your resignation from the Board and hope that this will be forthcoming immediately".

75. On the 19th May, 1961, Mr. O'Connor wrote to his Solicitors:

"Relationships between all we three directors have steadily deteriorated and it is quite obvious to me that since the Company can view with reasonable certainty considerable future prosperity, Marsh is anxious to share as little of this as possible with anybody else. He has asked me to resign, which of course I have not done at the present time. The important question of compensation payable under my Service Agreement in the major aspect of this development, accordingly I would like to make it an additional consideration of my resignation that my shares are bought up by me or other of the remaining Directors or shareholders. With regard to the value of these shares they have appreciated considerably since I first acquired them (for example Marsh paid £20 a share for his) and on balance sheet asset value the breakdown figure would be nearer £35 or £40."

In passing we would state that we can find no evidence to support Mr. O'Connor's break up value or that the shares had appreciated considerably or at all in the period referred to.

76. On the 22nd May, 1961, Loraine had temporarily relented towards Mr. O'Connor and was writing:

"I intend calling on Phillip (Marsh) tomorrow and will advise him that I intend withdrawing my demand for your resignation".

77. By the 6th June, 1961, however, Mr. O'Connor had issued a writ against R.V.S. relating to the three cheques which had been dishonoured in February 1961, and which are referred to in Paragraph 67 above. In respect of the cheque for £500 he was the payee and in respect of the other two he had taken an assignment from a company, Executives (London) Limited, with which he was concerned. This action produced a blast from Loraine to Mr. Marsh. He wrote on the 6th June 1961:

"... I think it is beyond dispute that in the particular field of sausages my own personal and practical experience both on the production and sales side must exceed the experience of any one of my co-directors. You apparently are under the impression that a company such as this can be operated successfully on a text book rule of thumb formula, which allows no degree of flexibility and hampered as you are in the details of administration, you are prone to overlook the need to meet the challenge of new conditions. It is necessary for the Board to apply the broader view, to watch trends and conditions and to ensure that there is no rigidity in the business ... Perhaps I am being very obtuse, but I cannot understand the reasoning behind several recent incidents. Without reference to any other members of the Board you levied a charge on the Company and physically drew the money for £100 office expenses of Rotarman Services. Not only has any such arrangement never been approved by the Board, but you apparently justified it in your own mind at least, by saying that you were merely drawing back from Royal Victoria money which you had advanced to the Company. The same criticism applies to expenses which you drew to cover a recent trip to Switzerland. Here again your justification apparently rested on this completely fallacious view which you held, that because you are a shareholder in the Company it gives you complete and unfettered freedom to deplete the Company's assets."

"... On the question of O'Connor's writ against the Company I understand that despite the fact that at our recent meeting it was agreed, in fact further, was made a condition by me, that he remains on the Board, you now seek to remove him from the Board under Section 184 ... It is completely obvious to anybody who considers the facts why O'Connor issued his writ. He lent three sums of money to the Company early in the year, totalling £778 and received in exchange three Company cheques all of which were returned by the Bank two or three times. Nevertheless he agreed that until such time as the Company could redeem these dishonoured cheques, he would not unduly press the matter. You will recall that in the main agreement, this item was specifically referred to as a priority liability. Apart from any moral aspect I should not have thought that either Mr. Roe or yourself would wish to be prominently associated with a company which had current dishonoured cheques in issue. Whenever the question of the redemption of these cheques was raised you treated the matter with what I can only describe as amusement and contempt."

"With these dishonoured cheques still in existence you felt it necessary to draw from the Company £400 as a deposit for an Austin Princess for your own use and the other items of expenses to which I have referred earlier. It was only when O'Connor learnt of this and having given, through solicitors, the Company plenty of notice, that he quite understandably decided that only strong legal action would meet the case".

78. On the following day Mr. O'Connor got a cheque for £778 and his solicitors their costs from R.V.S., but with it went a letter from Messrs. Booth & Blackwell, the solicitors handling this particular matter for R.V.S. containing this sentence:

"If we do not receive his written resignation in this office by Thursday morning the 8th June, the shareholders of the Company will clearly have no option but to institute procedure under Section 184 of the Companies Act 1948 for his removal."

79. Contemporaneously Mr. O'Connor was preparing to sue Mr. Marsh for £500 alleged to be a commission for having introduced R.V.S. to Mr. Marsh!

80. On the 8th June, 1961, Roe, in Lausanne, started attempting to make peace between his co-directors, and wrote to Mr. O'Connor and suggested that he stayed on the Board but took no part in the direction of R.V.S. until October 1961 when his future with R.V.S. should be reconsidered. Mr. O'Connor's immediate reply recorded in a letter of the 9th June, 1961, was "no taxation without representation."

81. On the 13th June, 1961, a number of letters were written. Mr. O'Connor wrote to Roe extolling his own part in the affairs of R.V.S. Loraine wrote to Roe saying:

"I agree with your sentiment that Phillip (Marsh) is trying to do his best, but at the same time this Company have only been able to survive despite his directives because of my refusal to obey his orders without question, which I honestly believe were not in the best interests of the Company... I would be very happy if you would give Feldon the authority to take care of general administration, and by reporting to you regularly you will be kept abreast of day to day operations of the Company and your finger will be well and truly on its very pulse beat."

Roe wrote to Mr. O'Connor:

"Phillip (Marsh) has agreed to resign from the Board at his own request ... I will take over temporarily the Chair. In the Company's interest I want to appeal to you to let me have your resignation this week."

Resignation of Messrs. O'Connor and Marsh

82. Mr. O'Connor did not accede to Roe's suggestion immediately so on the 19th June, 1961, Roe and Mr. Marsh instructed Mr. Feldon, as Secretary, to call an Extraordinary General Meeting for the purpose of removing Mr. O'Connor from his office as a director and a notice calling the meeting for the 13th July, 1961, was sent out on the 20th June, 1961. This did bring a letter to Roe dated the 7th July, 1961, containing

Mr. O'Connor's resignation. The meeting was cancelled and both Mr. O'Connor and Mr. Marsh leave the scene although it may be noted that Mr. O'Connor's action for £500 introductory commission against Mr. Marsh continued until May 1962 when Roe arranged for the action to be settled by a payment to Mr. O'Connor of £100 out of the funds of R.V.S. Out of the funds which Roe was putting into R.V.S. both Mr. O'Connor and Mr. Marsh, when they resigned, recovered their money.

83. It should be noted that after his resignation Mr. O'Connor discovered something of Lorraine's background. Enquiries by him in December 1961 unearthed the fact that Lorraine had twice been convicted for fraud and that in November 1961 a warrant had been issued in respect of £202 arrears under a Bastardy Order. This information he passed on to the Manager of Lloyds Bank (Cox and King's Branch) and to Roe, who acknowledged the information in a letter of the 6th February, 1962, in which he wrote:

"I have spoken to Denis Lorraine re the other thing and I now know what it was all about and I understand the verdict was reversed on appeal."

Lorraine had not in fact appealed against either conviction.

84. We were interested to discover why Mr. Marsh resigned when he did and whether, if the reason were that he could see no future for R.V.S., he had transmitted his views to Roe and, if so, why it was that Roe persisted in his connection with R.V.S. after Mr. Marsh, his close associate through Rotorman Services, S.A., had withdrawn. Parts of Mr. Marsh's evidence give us the answer.

"Q. What was the reason why you severed your connection with R.V.S. ?

A. That is a very simple one, because Lorraine was quite uncontrollable ... it was absolutely impossible to carry on with a man like that. Before you knew where you were, dozens of salesmen had either been dismissed or employed and all sorts of financial commitments were taken on, of which you had no idea at all.

Q. How was he uncontrollable, in what particular respect?

A. Mainly he would commit the Company here, there and everywhere without any reference at all to the Board.

Q. Legitimate commitments, proper business operations?

A. Well yes, I suppose you could describe them as such. They are within the orbit of the Company, but quite outside its financial possibilities.

Q. You really pulled out because you found Lorraine quite impossible?

A. Yes.

Q. And did you realise that so long as he remained uncontrollable that the thing was bound to founder?

A. Yes, I made that quite clear. Roe's line of country was I think a quite reasonable one - 'Well, I've already got a lot of money in this thing with my clients' and he chose to term it a clash of personalities. Well, the clash of personalities was simply I was determined to control this man ... Roe said 'Perhaps I can control him if you can't' and I said, 'Delighted'.

Q. It surprises me that you saw the red light and were fairly closely associated with Mr. Roe and that apparently he did not.

A. I think he saw the red light all right, but he was in a cleft stick. He had quite a considerable amount of money in the thing ... when the head-on clash occurred and it was quite impossible to get that money out. He couldn't go back to his people in Switzerland and say 'I've invested £20,000 for you and I can't get it out nor can I control the man', and I think he just took the sticky end of the rod, hoping for the best ... Lorraine was an absolutely impossible man and any attempt to control him on the spot was almost doomed to failure, but to try and control him from Louisiana was a hopeless proposition."

Messrs. Dixon Wilson & Co.

85. Shortly before Mr. Marsh severed his connection with R.V.S. and in anticipation of it, Messrs. Dixon Wilson & Co., Chartered Accountants, were instructed to carry out an investigation into its affairs and to act in an advisory capacity. One of their partners, Mr. Mark Richard Geoffrey Cory-Wright, declined an invitation to join the Board of R.V.S. as financial director but did agree, with a view to assisting R.V.S. to control its banking account, to become a signatory on R.V.S. cheques drawn on Lloyds Bank (Cox & King's Branch).

86. One of Messrs. Dixon Wilson & Co.'s earliest discoveries, which explains Roe's determination, which manifested itself in June 1961, to get rid of Mr. O'Connor, was that Mr. O'Connor had been adjudged bankrupt whilst trading as Paragon Electrical Company in 1949 and had remained undischarged until the 9th August, 1953, and that after his discharge judgment had, on three occasions, been given against him for debt.

Investment by Bramfield

87. In June 1961 Bramfield agreed that in the middle of July 1961, when it would have funds available, it would purchase Mr. Marsh's shares from him, take over his debenture of £7,000 and put up an additional £10,000.

Share and Loan Capital of R.V.S.

88. As a number of transactions took place in the shares of R.V.S., which were not completed by the execution of transfers and the delivery of share certificates, it has been difficult to unravel the ownership of the share capital of R.V.S. Messrs. Dixon Wilson & Co. went into the position of the shares issued by and loans to R.V.S. at the

date when Mr. Marsh and Mr. O'Connor left the Company. Their researches were directed to discovering the position at the point when Bramfield were relieving Mr. Marsh of his financial stake in R.V.S.

89. The difficulty of elucidating the ownership of shares and debentures in R.V.S. is shown by a letter which, on the 17th July, 1961, Messrs. Stephenson, Harwood and Tatham wrote to Messrs. Dixon Wilson & Co. to assist them in their researches as follows:

"... We are no longer acting for the Company in general matters, but we can probably assist you in answering the queries raised in your letter ... The Company was incorporated through the office of Messrs. Bosley & Co., Solicitors of Brighton, their accountants (Messrs. Walpole Harding & Co.) kept the statutory books of the Company. At the beginning of this year we requested a sight of the Register of Members, Minute Book, Share Certificate Book and Seal, all these were forwarded to our office. The Register of Members was completely in blank and the Minute Book had not been made up. At this time Messrs. Bosley & Co. still retained numerous papers on behalf of the Company and it was extremely difficult to obtain any information. We do, however, understand from Messrs. Bosley & Co. that on the 14th December (1960) the remaining authorised unissued share capital was allotted to Mr. Lorraine, however no Return was made of this Allotment at our request pending the sorting out of the blank Register of Members. On this date also 50 shares were transferred to Mr. O'Connor by Mr. Lorraine and 150 shares were subsequently transferred by Mr. Lorraine to Mr. Marsh. These in our opinion are the only Transfers that can be registered to date."

"As a result of the agreement dated 4th April and that dated 2nd June, various other Transfers had been executed by Mr. Marsh and Mr. Lorraine, but not by or on behalf of the joint holder with Mr. Marsh. It is indeed uncertain as to who the joint holders shall be, though the Transfers referred to have, in fact, been made out in respect of Tigam Investment Etablissement. With regard both to the transfers of 200 shares under the agreement dated the 2nd June and the adjustment of the Debentures by reason of that Agreement, we have not been able to take any definite action for two reasons ...

- (i) That the beneficial ownership in both cases appeared to be largely if not wholly non-resident - the full position could not be put to the Bank of England from the information available and
- (ii) We were aware that Mr. Marsh was acting only as nominee for the parties in Switzerland and his proposed severance with the Company made us doubtful if it was appropriate to complete those transactions in his name."

90. We have attempted from the information at our disposal to compile a schedule of the share capital issued by R.V.S., the persons to whom it was issued, and of the transfers and movements subsequent to its issue. The outcome of this work is set out in the first part of Schedule II attached to this report, upon which we have added notes, adequate to provide reference to the sources from which our information was derived. We have been informed of certain other transactions between Roe, Lorraine and others which do not seem ever to have progressed beyond general proposals for the settlement of the rights of the parties between themselves and of which, accordingly, we have taken no cognisance in Schedule II. The second part of Schedule II gives similar information relating to debentures issued by R.V.S. and later exchanged for 9% Redeemable Cumulative Preference Shares.

91. By the 22nd July, 1961, another Investment Company registered in Curacao had come on the scene. This was Spartata Investment Company N.V. (hereinafter called Spartata) which Roe told us was a company belonging to himself and his wife. Between the 14th and 22nd July 1961 Spartata acquired 100 shares. In the same period Messrs. Marsh and Malcolm gave up their 150 shares; Pamit's holding was decreased by 50 and Cadco Investment by 35, whilst Bramfield's went up by 35. (Schedule II).

92. By trying to exercise a measure of restraint upon the affairs of R.V.S., Mr. Cory-Wright of Messrs. Dixon Wilson inevitably incurred Lorraine's displeasure. By the 22nd September, 1961, Roe is writing to Mr. Cory-Wright:

"I think at the end of 40 minutes (telephone conversation) I had done a good deal of calming them (Lorraine and Mr. A.R. Feldon, the Secretary) down, but there is no doubt as you said yourself that any thought of control is wildly resented and taken as a personal affront".

Such extremes as buying two new cars, one for himself and one for Mr. Feldon, as Lorraine did in September 1961 when money was very tight for the ordinary purposes of R.V.S., were matters which Mr. Cory-Wright tried to stop and which caused him to be so resented by Lorraine. On the 28th September, 1961, when Mr. Cory-Wright had an appointment to see Mr. Feldon, who was to supply him with some figures, he was handed a letter from Mr. Feldon instead of seeing him which read;

"I thought I should advise you that I shall not be in your office tomorrow as Mr. Lorraine, as Managing Director, has instructed me not to pass any further figures forward. I understand he is in touch with Mr. Roe on this matter".

Although after some telephoning, Mr. Cory-Wright did succeed in seeing Feldon, it seems that such enthusiasm as he then had for the affairs of R.V.S. rapidly vanished and by 19th October 1961 Messrs. Dixon Wilson & Co. are writing to the Bank to say that they are no longer to sign R.V.S. cheques and on 2nd November 1961 are rendering their bill for their services.

The Factory at Partridge Green

93. During this period the equipment of the factory at Partridge Green had, despite the continual differences on the Board, been proceeding and trading operations had been

continued. Trading throughout this period and subsequently resulted in such extreme losses that some description of the factory is, we think, essential.

94. In the course of our inquiries we visited the factory, and had the shortcomings of the adaptations which had been carried out for R. V. S., ostensibly to make the place suitable for a meat factory, pointed out to us by the Manager of Glengrove Ltd., the company which at the time of our visit was in occupation of the property and negotiating to buy it.

95. In the main production space, the floor has been laid with falls to a central drain, but in such a way and aggravated by the inadequacy of the drain itself, that pools of water collect just where the workpeople need to stand; a grease trap has been constructed in the wrong place - on top of the drains; a house for smoking hams has been constructed, which shows no sign of ever having had a fire in it, or of having been used for any other purpose than a rubbish dump; there is an equally unpractical brine bath for curing, which showed no signs of having been used for that purpose; many elaborate and far too large items of machinery were in evidence. In short the adaptations appear to have been carried out by novices with no technical guidance at all.

96. Despite the shortcomings, which Glengrove Limited had not attempted to remedy because they were not certain of acquiring the place, Glengrove Limited was, we were told, trading at a profit, whilst between April 1961 and November 1964 R. V. S. made a loss of over £600,000. Mr. George Clarfelt, the Managing Director of Glengrove Ltd., told us that when he first came in contact with the factory, he felt that the business must have been dishonestly run to lose so much money in such a small factory but, having heard of the things that went on from the workpeople whom his company retained in its service, he had come round to the view that the loss by R. V. S. could have been due to sheer incompetence, muddle, ignorance and waste.

97. Several former employees of R. V. S. gave evidence before us. None is precise over dates; each recalls different incidents. Together their evidence leaves a clear picture of utter incompetence and a complete lack of direction. We heard of sausages being stored so that no air could circulate and at the wrong temperature so that they gave off a gas and went bad as soon as they were taken out of the refrigerators; we heard of faulty wrapping so that substantial quantities of goods were returned by customers: we heard of vanmen exchanging fresh for not so fresh sausages to oblige shopkeepers, so that R. V. S. was frequently having sausages brought back to the factory only to go sour almost immediately: we heard witnesses say that their jobs in the factory were changed so often it was hard for them to say what their job was; we heard how some vanmen were entitled to commission on sales payable at the end of the week in which the goods were delivered regardless of whether the customer had paid for his goods or not, so that there was an incentive for them to give credit but little to secure payment: the vanmen were paid in a variety of ways ranging from a flat weekly wage of £12 to a basic rate of £4 plus 8% commission on sales; we heard how the administration was incapable of keeping up or at all events did not keep up the sending out of invoices and the payment of bills for goods and services supplied to R. V. S.

The Arrival of Mr. George Sanders

98. With the departure of Mr. Cory-Wright, Roe seems to have given up the unequal struggle of attempting to exercise any control over Loraine. He seems to have let him have his head and to have pumped more and more loan capital into R. V. S. as far as he was able when asked for it. This was doubly disastrous and in no way assisted by the advent of Mr. George Sanders (hereinafter called Sanders), the film actor, as a director. Sanders was elected a director of R. V. S. on the 29th August, 1961. He seems to have encouraged Loraine in his excesses rather than to have restrained him. He seems to have either sown ideas of expansion in Loraine's mind or at least to have encouraged him to think that a policy of vast expansion for R. V. S. was possible, when everything pointed to a need to retrench and severely at that.

Schemes for Expansion

99. Though the first five months of trading at Partridge Green were disastrous and though during those five months R. V. S. had suffered from practically every known malady from which a company can suffer, from Board room rows, unpractical plant and machinery to dumping creditors, debtors to whom no bills were sent out, etc., Loraine thought that R. V. S. was ripe for expansion, and in this he found an ally in Sanders.

100. As early as the 22nd September 1961 we find Roe writing to Sanders:

"I spoke to Denis (Loraine) yesterday regarding your proposal to form a subsidiary (sic) company with Cadco to buy the land adjoining the factory and to erect a new factory and lease it to the Company. As you know, at present we are waiting to know how much the Insurance Company will give us as a mortgage on the whole property and I am suggesting therefore that they value the land suggested for building separately and this can always be excluded from the mortgage. I think your proposal is a generous one and quite feasible and as soon as we get a valuation I will let you know the amount involved".

101. Despite Roe's sanguine attitude to the feasibility of Sanders' proposal, on the 5th November 1961 the Board resolved to shelve it and instead decided:

"the whole question of setting up a factory in Ireland with the Government grants that are available in Ireland should be fully gone into and an application submitted to the Irish Government at the earliest possible time with a view to setting up a factory for the production of 600 tons per week. It was resolved that the Chairman (Roe) should put in hand this application and that Mr. Loraine would let him have all the necessary data to complete the application. It was considered that if this factory went into production it could meeting the demand in Great Britain not covered by the Partridge Green factory and would also cover the export market".

102. Nothing more was heard of expanding in Ireland, but the idea of buying land adjacent to Partridge Green remained with Loraine and the decision to expand was taken finally in August/September 1962. In the meantime a policy of expansion within the scope of the factory at Partridge Green was pursued.

Paraglas (Ireland) Limited

103. The Irish proposal was abortive but it interested us, not merely because it is the first mention of Government grants, but because the funds of investment were steadily poured into the R.V.S./Cadco Group until one investment and one only was retained by Investment which was not connected with sausage making in Sussex or the development at Glenrothes. This was a holding of 5,000 £1 ordinary shares 10% paid up in Paraglas (Ireland) Limited which Roe, in a letter to Mr. W.J. Godfrey of the Accountants Division of the Board of Trade dated the 5th June 1964, a letter to which we shall have to return much later in this report, represented had a value of \$1,411.63.

104. As Paraglas (Ireland) Limited seemed dependent upon Government grants and was based in a development area we asked Sanders and Roe to tell us about it. As neither painted a crystal clear picture of its activities and as we thought this 'investment' might throw some light on the question growing in our minds, namely, whether the Glenrothes venture was from the outset directed to the obtaining of a once for all profit upon the creation of factory premises largely at the expense of Government agencies and grants or whether it was an honest enterprise which went wrong, we asked the Board of Trade to make enquiries into Paraglas (Ireland) Limited on our behalf.

105. This would be an appropriate moment to touch on our information regarding Paraglas (Ireland) Limited, though at the expense of breaking the sequence. An extract from the transcript of Sanders' evidence reads:

"Q. For instance I have a document here which has been signed by Mr. Roe dated 5th June 1964 in which he speaks of the investment Company owning 5,000 shares in Paraglas (Ireland)?

A. That is true. That is valueless property but it is true.

Q. Was that an investment made -

A. At Mr. Roe's suggestion.

Q. At Mr. Roe's suggestion?

A. Yes.

Q. Do you know anything about Paraglas (Ireland)?

A. No. It is some kind of perspex or something like that. Apart from Paraglas (Ireland), which I do not consider an investment at all ..."

106. An extract from the transcript of Roe's evidence reads:

"Q. What was Paraglas (Ireland)?

A. That is another investment.

Q. What does it do?

A. It is for setting up a factory in Ireland for making a product similar to perspex.

Q. Has it operated?

A. No. It is at project stage with the Irish Government. Discussions have been going on quite a considerable time over the last two years.

Q. And it still has not got beyond this project stage?

A. No. The Irish Government stipulated that they wanted a large company to participate to secure supplies and the raw material and it is a question of whether the French or the Canadian company will supply this. The Paraglas company who owns the process, have now licensed this in 8 different countries and if this project goes ahead the rest of the capital will come.

Q. What has that project got to do with the Irish Government?

A. The Irish Government would be supplying the land and certain working capital facilities in one of the Irish development areas.

Q. That is also a project connected with a development area?

A. Yes, but Cadco has only a less than 10% stake in it as a shareholder, the bulk of the project is in the hands of a Swiss Company known as Rosta and the French group Eugene".

107. We are informed through the Board of Trade Investigation Branch that a company, Paraglass Limited, was registered in Eire on 9th May, 1961, with a capital of 100 shares of £1 each of which two only are recorded as having been issued, one to a Mr. Thomas King, and the other to a Mr. Michael Higgins, both of Kells Co. Meath. Paraglass Limited (we are informed that no company under the name Paraglas (Ireland) Limited has been registered in either Eire or Northern Ireland) was formed to develop a plastics industry in depressed areas in Ireland, but became dormant after registration and has failed to file returns with the Companies Registration Office, Dublin, or to reply to a letter addressed to it from that office on 6th April, 1965. Before reaching our final conclusions and submitting this report we recalled Roe to give further evidence. We saw him on the 10th June, 1965, and asked him questions about Paraglas (Ireland) Limited in the light of our information about Paraglass Limited. He told us that Para-

glas (Ireland) Limited was incorporated by a lawyer in County Meath called Thomas King. We are certain that Roe when he first gave evidence before us about Paraglas (Ireland) Limited was speaking about the same company as the one called Paraglass Limited and that the Board of Trade Investigation Branch gave us accurate information. Roe has since confirmed the correctness of our conclusion.

Investigation into R.V.S.

108. Early in 1962 Ch. Goldrei Foucard & Son Limited (hereinafter called Foucard) were looking out for a manufacturing business and heard of R.V.S. At the same time Roe was casting about for a concern to provide finance. The result was that Foucard instructed a firm of chartered accountants, Messrs. Fletcher Head Smith & Co. to investigate the affairs of R.V.S. and report. Mr. Arthur Wright Coleman of that firm carried out the investigation and wrote a report dated the 27th March 1962. He warned us that the figures in his report should only be accepted with "a lot of reserve", because they were taken from the books of R.V.S., which he described as being in "a shocking condition" and "terrifically" in arrears. His report nevertheless is a mine of information and shows not only the money that Roe had pumped in up to the end of March 1962, but also the expansion which had taken place during the previous 10 months, and for that reason we quote extensively from the facts which it contains.

109. The position as regards shareholding, Debenture holders and loans at the end of March 1962 was reported as follows:

Shareholding		
Lorraine		423 shares
Mrs. Lorraine		1
Roe		26
Tipam Investment Etablissement		150
Bendax Investment Co. N.V.		35
Cadco Investment Co. N.V.		60
Spartan Investment Co. N.V.		109
Bramfield Investment Co. N.V.		165
		<u>1,209</u>

Debenture Holders (All at 8% interest in almost all cases wholly unpaid)

		£
Tipam Investment (originally March) 27th April 1961		12,000
Bramfield Investment (originally March) 27th April 1961		7,000
Lorraine (see note below)		3,500
Tipam Investment	22nd Sept. 1961	16,000
Bendax Investment	"	8,300
Cadco Investment	"	2,700
		<u>£ 41,500</u>

Note: The above summary has been copied from the Fletcher Head Smith report. In fact at this time Lorraine's debenture was £5,500 making a total of £43,500.

Loans (all at 10% interest all unpaid)

Bramfield Investment	16th September 1961	30,000
Tipam Investment	1st November 1961	2,000
Tipam Investment	10th November 1961	5,000
Cadco Investment	30th November 1961	10,000
Cadco Investment	30th November 1961	3,000
Spartan Investment	15th December 1961	2,000
Cadco Investment	15th December 1961	5,000
Bramfield Investment	23rd December 1961	5,000
Allegro Investment	28th December 1961	5,000
Tipam Investment	9th January 1962	6,000
Mr. Derek Allix Pease	26th January 1962	4,000
Bramfield Investment	1st February 1962	5,000
Aiglon Investment	5th February 1962	10,000
Mr. Derek Allix Pease	12th February 1962	1,000
Tipam Investment	6th March 1962	4,250
		<u>£104,250</u>

R.V.S. was overdrawn with its bankers in the sum of £27,000 and had other creditors owed £44,938. It had been served with 2 writs during the previous three weeks.

110. Messrs. Walpole Harding & Co. had produced to Mr. Coleman an approximate statement of affairs at 31st January 1962 which showed a loss of £53,424 during the period 1st May 1961 to 31st January 1962.

111. The degree of expansion can be gathered from the following facts:

- For the 4 months May to August 1961 the wage bill amounted to £7,980 and the sales to £21,418, an average of £1,995 and £5,354. 10. 0. a month respectively, whilst for the 4 months November 1961 to February 1962 the wage bill amounted to £29,191 and the sales to £75,480, an average of £7,297. 15. 0. and £19,115 a month, respectively.
- In March 1962 R.V.S. was employing 148 people at Partridge Green without counting the directors and secretary, or the staff at Bournemouth, where R.V.S. used a public cold store.

- (c) it was in the process of purchasing on hire purchase terms 45 motor vehicles consisting of:-

- | | |
|--|--|
| 1 Humber Super Snipe for Loraine's personal use. | |
| 1 Vauxhall Cresta for the Secretary's personal use. | |
| 1 Bedford Workabus | } to transport the staff to
and from Partridge Green. |
| 1 Austin Motor Coach | |
| 1 Bedford Motor Coach | |
| 1 Vauxhall Victor Utility for the foreman's personal use | |
| 1 Ford Squire Utility for a sales representative | |
| 24 Bedford Vans, of which 12 were refrigerated | |
| 9 Austin Vans | |
| 2 Morris Vans | |
| 1 Hillman Utility | |
| 1 Ford Escort Utility | |
| 1 Motor Bicycle | |

112. Mr. Coleman concluded that, though R.V.S. had established a widespread market, the sales aspect had been concentrated on so heavily without regard to consolidation of areas, the size of individual sales and the cost of distribution, that the Company was trading on an impracticable basis; he offered certain recommendations from which we quote as follows:

"With regard to overheads the two points of extreme expenditure seem to be wages and distribution. The former, on current production, could surely be reduced and the latter appears to be prohibitive as a result of:

- uneconomical deliveries.
- widespread area of delivery which covers the area (West-East) from Dorchester (Dorset) to Ashford (Kent) and (North-South) London to Brighton.
- heavy cost of running caused by short estimated useful life of two years for delivery vehicles plus heavy hire purchase charges.

Finally the management of the Company on its present scale of operations would appear to be totally inadequate.

While it was operating on a cotermpet basis from Victoria Road a profit was made as sales could be concentrated upon and management was not so vital.

On the move to Partridge Green it appears that sales continued to be the main concern of the management regardless of financial considerations with regard to the cost of production and distribution. We have been unable to find any evidence that costings were produced.

To sum up we would repeat that although it seems clear that the Company has developed a market for its products and may well have considerable sales potential such development has proved very, very costly, and is continuing to do so. Unfortunately the efforts made in creating the market have not been matched by a corresponding effort in the general management of the Company. One is left with the impression that what is wanted now is a period of consolidation during which time;

- the staff position should be investigated with a view to reducing the number to the minimum essential for the present production.
- the company's financial records are brought up to date and then overhauled and modernised.
- investigations are made into the cost of distribution to ascertain (i) which routes are uneconomic (ii) to determine the minimum size of any delivery both for cash and credit (iii) to ascertain if bulk deliveries at the 20% discount are more economic than small sales to individual shops (iv) to ascertain if the Company can afford the cost of a discount of 1½% on sales to the retail Groups.
- the overall management of the Company should be reviewed and managers appointed to have the sole responsibility for such matters as (i) Buying (ii) production (iii) transport and distribution (iv) sales and in due course sales promotion (v) finance, accountancy and costings.

We understand that the company is extremely short of cash and it is inevitable that the losses which we think are currently being incurred will continue during any period of consolidation. Further cash will therefore have to be introduced during this period."

113. Apart from the factual information which the report has given us its real importance to us lies in the fact that Mr. Gordon Kenneth Debrates of Foucard gave a copy of it to Roe, who described it on a Roturman internal memorandum dated the 12th April 1962 as "this excellent report". Mr. Debrates and Mr. Coleman also saw Roe after he had had the report for about a month.

114. Its main theme - consolidate do not expand - was one Roe had heard before. Slightly earlier in 1962 he had called in a firm of management consultants - Personnel Administration Limited (hereinafter called P.A.) - who had reported to him in a letter dated the 2nd February 1962. Though the report of P.A. contained several statements which were inaccurate, it did contain the following:

"Due to too rapid expansion the Company has seriously overtraded ... the urgent and necessary steps are

- the provision of further capital
- a properly budgeted programme firstly of retrenchment and secondly of controlled expansion."

115. On receipt of the report of P.A. Roe wrote on the 23rd February 1962 to Loraine: "... I am fully satisfied that to cover our fixed weekly costs and interest on borrowed money and depreciation we have to do a turnover of £8,000 to break even and to make any sort of profit, a turnover of £10,000".

He then went on to explain that in order to get the turnover up to £20,000 a week would require £50,000 more capital and continued:

"I do not think that any existing shareholder or other investor would be prepared to put up the requisite £50,000 and I am of the opinion that the only sound solution to the Company's problems is to merge with another group on the best terms we can possibly arrange, with them becoming responsible for the running of the Company and the planning of the requisite finance... If this is not done I am afraid I can only see an unhappy end to the Company's life, which would be tragic and, I feel, unnecessary and would be a confession of failure by all of us."

Additional Capital

116. Both P.A. and Mr. Coleman had indicated the need to obtain further capital over and above the £146,750 summarised in Paragraph 109 above. Roe took steps to ease the working capital position of R.V.S. by introducing International Factors Ltd. (hereinafter called I.F.L.)

117. I.F.L. entered into a contract with R.V.S. under which I.F.L. was to factor all credit accounts of R.V.S., to receive a fee calculated at 2% of every account factored and if R.V.S. required payment of an account before the date on which the account was due to be paid an interest charge of $1\frac{1}{2}\%$ over Bank Rate in addition. The contract was to operate from the 1st May 1962, but on the strength of the contract R.V.S. was able to borrow £15,000 from I.F.L. on the 6th April 1962, the first of a number of loans as follows:

	£
6th April 1962	15,000
21/28th June 1962	15,000
20th July 1962	10,000
14th September 1962	10,000
30th November 1962	5,000
7th December 1962	3,000
28th February 1963	5,000
	<u>£ 63,000</u>

These loans were apart from the factoring arrangements. Unlike the other lenders I.F.L. received its interest of 6% on these loans monthly and repayment of the principal was guaranteed by Investment, Benitax and Tipam.

Management

118. Mr. Coleman had mentioned the inadequacy of the management of R.V.S. and Roe, by the time he had received Mr. Coleman's report, had arranged, on P.A.'s recommendation for a Mr. D.D. Walker to be appointed financial and administrative manager. On the 26th April 1962 Roe is writing to Mr. Walker setting out the terms of his engagement, namely, for three years at a salary of £2,500 per year with annual increments of £100 and the use of a car. As the original of this letter came into our hands in one of the R.V.S. files from Partridge Green, it would appear to have been held by Loraine and never to have reached the addressee. Loraine threatened to walk out if Mr. Walker or anyone else was appointed Finance Manager. Once more the Directors engaged in internal disputes which on this occasion imperilled the continuation of the factoring arrangements, which Roe had so recently made with I.F.L. The row was such that on the 17th May 1962 Sanders and Roe wrote a joint letter an extract of which reads:

"... During the past few months there has been ample evidence of an almost complete lack of efficient or even elementary management of the Company and the handling of the Company's affairs has caused the majority shareholders to lose confidence in the management. Things have been done in the Company's name which bring no credit to the Company or anyone connected with it and it is now vital in the interests of the Company, its shareholders and financiers and its loyal staff and workers to establish the Company on a sound basis and to re-establish its credit and this must involve your ceasing forthwith to be Managing Director of the Company. You have repeatedly offered or threatened to resign and I trust you will now tender your resignation and do everything you can to encourage all the staff of the Company to continue loyally to serve the Company. If your resignation is not forthcoming we have no alternative but to terminate your agreement with immediate effect and to call upon you to resign as a Director of the Company. We propose that the Company pays you full salary for a period of six months".

To this Loraine replied that if he went Messrs. Feldon, Brooks and Kinsley would go too.

Roe's Memorandum

119. On the 21st May 1962 Roe wrote "A Memorandum on Administration of Royal Victoria Sausages Limited", in which he sets out reasons why it would be better to drop the proposal to appoint Mr. Walker and keep Loraine on instead. In the memorandum he severely criticises Mr. Eastwood and his firm (Messrs. Walpole Harding & Co.) and concludes that much of the blame "piled on to Mr. Loraine more correctly belongs to Mr. Eastwood". Mr. Eastwood was instructed to complete the Company's accounts to 30th April 1962, and then retire. The extent of Roe's change of front is particularly exemplified, when it is observed that no more than three months earlier, on the 23rd February 1962, when writing to Loraine he stated:

"I have every confidence in Mr. Eastwood and his firm but to date for one reason or another, he has not been able, or allowed, to do the task for which his firm is retained and this is both unsatisfactory to Mr. Eastwood and a waste of money on the Company's part".

Whilst there is ample evidence that the state of the records and books was chaotic, to state as Roe did in his memorandum and repeated in a letter to Mr. Debrates that Mr. Eastwood was responsible for a great number of the difficulties of R.V.S. was not a right or fair judgment. Mr. Eastwood's task was made impossible and when the accounts to the 30th April 1962 were finally certified in August 1963, his firm's report contained a number of qualifications, particularly relating to the state of the records. Having dispensed with Mr. Eastwood and with his firm no other auditors were ever effectively appointed and R.V.S. carried on without any for the rest of its chequered career.

120. P.A. - in precise terms - and Mr. Coleman, more by implication had recommended retrenchment, but there is nothing in Roe's memorandum to indicate that any policy of consolidation let alone retrenchment was about to be put into operation. On the contrary it tells its reader that the Company is "On a springboard for a very successful summer season" that Lorraine "through his many excellent trade contacts is prospecting the possibility of reopening supplies to Nielson on a large scale"; that "it seems probable that a contract will be obtained to supply meat to Ghana" and that the Company was submitting tenders to supply all the schools in Eastbourne, Brighton and West Sussex.

121. Shortly before he wrote this memorandum which runs counter to the advice contained in the Fletcher Head Smith report, Roe saw Mr. Debrates and Mr. Coleman on 3rd May, 1962, and assured them that he was taking remedial steps to put the affairs of R.V.S. in order. It is clear from a note that Mr. Debrates made at the time that he did not think much of these remedial steps and thought that the fresh money, which Roe described as "crisis money", might go the same way as the rest. In our view the remedial steps merely scratched the surface of the problem and cannot by any stretch of imagination be regarded as evidencing a policy of consolidation or retrenchment for which the situation cried out. R.V.S. did reduce staff slightly, but this turned out to be temporary: some book debts were sold at a 6% discount; some small credit accounts were placed on a cash on delivery basis: Mr. Brooks was brought back to Partridge Green from looking after the cold store space at Bournemouth, so that he could devote his time to getting the books up to date, but was replaced in Bournemouth by a man called Oran, who had been employed at Partridge Green as a salesman: three weeks later Mr. Brooks was taken off the books to become Lorraine's assistant and Mr. Joseph Kinsley (called hereinafter Kinsley) joined the staff as bookkeeper.

122. Even if some of the steps taken had a remedial quality about them, their effect was more than counter balanced by some very unfortunate decisions which were taken at this time. R.V.S. entered into a contract to supply 149 schools in East Sussex involving a turnover of over £2,000 a week during term time. Not only did this contract allow the Local Authority concerned a 7½% discount if payment were made within 7 days of the receipt of the invoice, but the price was fixed for 12 months without any regard to the possibility of a rise in the price of meat. R.V.S., whilst trading - or hoping to trade - upon a gross profit margin of 15%, entered into a large contract with Nielsons which entitled Nielsons to a 20% discount. These discount proposals and the charges payable to I.F.L. (see paragraph 117 hereof) leave substantial doubt as to the possible profitability of trading at this time.

Mr. D.A. Pease

123. The list of lenders which we quoted from the report of Messrs. Fletcher Head Smith & Co. (see Paragraph 109 above) includes the name of a new lender, Mr. Derek Allix Pease. In January 1962 he was a director of John Govett & Co. Limited, to whom Roe applied for financial support. John Govett & Co. made a cursory investigation and, having met Lorraine, decided that they were not prepared to back R.V.S. at all. Mr. Pease, who is Roe's brother-in-law, nevertheless decided to lend R.V.S. some of his own money and to buy some shares. Altogether he put up £6,000 out of his own pocket - £5,000 as loans and £1,000 for 50 shares. There is no doubt in our minds that he made the loans and purchased the shares solely out of a sense of family loyalty. In his capacity as a director of a concern which was entrusted to look after other people's money, he looked at R.V.S. objectively and did not allow his relationship with Roe to influence his judgment. The fact that he gave some financial support to R.V.S. out of his own pocket to assist his brother-in-law is a matter over which we make no criticism of him whatsoever.

124. Having become a shareholder of R.V.S. Mr. Pease received from Roe a number of progress reports of which we have also been furnished with copies by Roe. These reports were compiled by Roe in Lausanne on the basis of information sent to him by letter, or telex, from Partridge Green by Lorraine, or by Brooks or Kinsley under Lorraine's instructions. We shall refer later to these reports and the statements of trading results which they included (see paragraph 336 below). The reports covered a period from 1st June, 1962 to 31st July, 1963, when they apparently lapsed.

The "Sale" of Partridge Green

125. On the 23rd June, 1962, the Board of R.V.S. resolved to sell its freehold property at Partridge Green to Investment for £24,000 on terms that R.V.S. should take a lease of the property from Investment at a rent of £3,000 per annum, and that Investment should make an immediate advance to R.V.S. of £10,000 on account of the purchase price. On the 26th June 1962 Investment lent £10,000 to R.V.S. but this money was transferred to Cadco Developments Ltd., (hereinafter called Developments) as soon as Developments was acquired. Also on the 16th June 1962 Investment guaranteed the repayment of £10,000 of the money which I.F.L. had lent to R.V.S. Save that on 5th September 1962 Loraine was empowered to sign a contract on behalf of R.V.S. to sell the property to Investment nothing more was done to transfer the property to Investment.

Capital Rearrangement

126. On 1st May 1962 R.V.S. increased its ordinary share capital by £200 to 1,200 shares in ordinary shares of £1 each and on 30th July 1962 converted the First Mortgage Debentures into 9% Redeemable Cumulative Preference Shares of £1 each. The additional ordinary shares were allotted as follows;

Loraine	20 shares
Investment	20
Aiglon Investment	
Etablissement	100
Bransfield	15
Spartata	15
Pasture Investment Co. N.V.	15
Tipam	15
	<hr/> 200

The preference shares were allotted as follows:

Benitax	6,300 shares
Bransfield	1,000
Investment	2,700
Loraine	5,500
Tipam Investment Etablissement	23,000
	<hr/> 43,500

Proposals for Expansion

127. In preceding paragraphs we have reported on the state of R.V.S. in the months immediately prior to the decision of August/September 1962 to expand by building a second factory at Partridge Green. Roe told us that this decision was taken after several joint meetings with Loraine and Sanders and himself arising out of discussions between Loraine and Sanders on the desirability of general expansion at Partridge Green. A development company was to be formed to handle the various property matters involved in the decision. Roe admitted that at the date of the decision he realised that one half of the £218,000 which he had by then been responsible for injecting into R.V.S. was lost. He also had available, as had the other directors, a draft balance sheet to April 1962 prepared by Messrs. Walpole Harding & Co. showing that R.V.S. had made a trading loss in the financial year 1961/62 of £130,000. Roe envisaged that an outlay of £40-£50,000 would be involved in the expansion.

128. Development started life as Otagood Builders Limited and part of the stock-in-trade of Business Economy Products Limited of 156 Strand, London, W.C.2., a purveyor of companies, which is run by a Mr. and Mrs. Thomas Arthur Herbert. Mr. Alfred Robert Feldon, the Secretary of R.V.S., was told to purchase a company and bought Otagood Builders Limited which had been incorporated on the 15th August 1962 and changed its name to Cadco Developments Ltd., by virtue of a special resolution of the 8th October 1962. Its nominal capital was £100 in £1 shares of which two were issued, one to Loraine and one to Mr. Feldon, who became the first two directors on the 21st August 1962, being joined in that capacity by Roe and Sanders on the 29th October 1962. Mr. Feldon told us in evidence that he had paid £1 for his share, which had not been reimbursed to him. Nevertheless, in the final account of Developments produced to us by its auditors, the capital is stated as "Issued and unpaid £2".

129. From the date on which the decision to expand was taken until about January 1963 the activities of Developments were taken up in acquiring an option on a piece of land next to the R.V.S. factory at Partridge Green and then trying, without success, to get the necessary consents to develop it by building a factory on it. When it became apparent that Developments was not going to be permitted to build at Partridge Green, Loraine asked Mr. David John Black, to whom reference was made in Paragraph 30 of this report, to visit development areas in England, Scotland and Wales, where there were factories available with spare land on which to build. On the 23rd February 1963

Mr. Black reported to Roe that he had visited a large number of factories and sites in development areas in South Wales, North-West England and, in Scotland, in the Dundee area, in the Glasgow area and at Glenrothes in Fife, at which last a factory was available having 12,000 square feet of factory space and 1,175 square feet of office space, for £25,450 freehold or on a 21 year lease at an initial rent of £1,812 a year, and that mortgages were obtainable from the Glenrothes Development Corporation (hereinafter called the Development Corporation). Of the various factories and sites which Mr. Black saw, the one at Glenrothes was selected for the expansion, but Mr. Black was not the first person connected with this story to have gone to Scotland.

Lochness Foods Limited

130. In March 1962 Loraine and Mrs. Mollie Loraine parted company. After living for a few months in London with a Mr. Peter Rolfe Johnson, who among other occupations had been employed by R.V.S. as a van driver, Mrs. Mollie Loraine went with Mr. Johnson to Scotland for a holiday. Whilst there she saw a property - Boleskine House, Foyers by Inverness - which was in the market together with 36 acres of land.

131. Mrs. Mollie Loraine told us that she and Mr. Johnson were looking for a place where they could fatten pigs, for sale to R.V.S. According to Mrs. Mollie Loraine, she opened negotiations for Boleskine House at a time when Loraine was not aware that she was living with Mr. Johnson. Loraine was going to pay for the property but was proposing to put it in her name. Whilst the negotiations were in progress she informed Loraine that she was living with Mr. Johnson, and as a result of this knowledge Loraine insisted on Boleskine House being put in his own name. Be that as it may, Loraine seemed quite happy about his wife's pig farming venture because on the 29th November 1962 he arranged for the incorporation of a Scottish company, Lochness Foods Limited, whose objects were to carry on business as farmers and food producers. This company, now in liquidation, had as its first directors, Loraine, Mrs. Mollie Loraine and Mr. Feldon, with Mr. Johnson as its Secretary.

Other Companies

132. As part of the arrangements for the expansion, a large number of "off the peg" companies were acquired and others formed. Brief details of these companies are set out in Schedule III hereto.

133. The only other companies with which we are concerned are Victoria Wholesale Meats Ltd. (hereinafter called V.W.M.) and L.B.K. Ltd. V.W.M. was incorporated under the name Praiforms Butchers Ltd., on 8th August, 1962, and changed its name by Special resolution on the 22nd October 1962. Its authorised capital was also £100 in £1 shares of which 2 shares were issued. Various reasons for the acquisition of V.W.M. were advanced to us in the course of our enquiries, e.g. that it was acquired because of the decision to expand and that V.W.M. was to take over and develop a wholesale meat business. We are satisfied that, though V.W.M. was acquired at about the time the directors of R.V.S. had decided that R.V.S. was ripe for expansion, the real reason was that R.V.S. had such a bad name in the trade that no meat supplier would give R.V.S. any credit and it was hoped that V.W.M. would be able to get credit where R.V.S. could not. The fact that it was associated with R.V.S. seems to have got known quickly and after three weeks in January/February 1963 during which it bought meat for R.V.S., it lay dormant till the middle of 1963, when it was resuscitated for another short period. Altogether, it operated in two separate periods of time for about six weeks entirely from the premises of R.V.S.

134. V.W.M. operated exclusively with money provided in January/February 1963 by R.V.S. and in July 1963 by Cadco Building Co. Ltd. (hereinafter called Building). Whilst it operated it bought meat, which was delivered to R.V.S. The ultimate purchaser of the meat received an invoice from R.V.S. which collected the proceeds of sale less discount from I.F.L.

135. Roe told us:

"Victoria Wholesale Meats was formed with a view to acting as a meat purchasing company for Royal Victoria and with a view to carrying out a wholesale meat business for other people as well. To my knowledge the Company never carried out any transactions for anyone else and to my knowledge the accounting was very flimsy in this company and it really passed on its products at what it cost the Company to Royal Victoria. By question and answer I was able to find out that the real object of this company was to try and obtain credit where Royal Victoria was unable to obtain credit in the meat business in Smithfield. I notice from the statement of affairs prepared by Wood & Company they really treated it as part and parcel of Royal Victoria and I think it is very difficult to regard it as having a sort of separate life or entity: the same people were operating it. I have not seen the books, but I understand that the books are incomplete as regards transactions, but so far as one can see everything was passed over to Royal Victoria at what it cost Victoria Wholesale Meats. It came to life: it then went to sleep again and then came to life".

136. L.B.K. Limited takes its name from Loraine, Brooks and Kinsley. It only operated for a very few weeks in the early part of 1963. It was purely a name, and did not even open a banking account. Its purpose was the same as V.W.M., i.e. to enable

R.V.S. to have another name as a front when buying meat. V.W.M. and L.B.K. operated when things were so difficult for R.V.S. that it was expedient for R.V.S. to lose its identity for a little while.

Smedleys Limited

137. We did not see witnesses from Smedleys Limited (called hereinafter Smedleys) until towards the end of our enquiry. By then we had seen both Roe and Lorraine, who had told us that R.V.S. business with Smedleys was very large, that owing to a few packets of meat being discovered to be underweight, as a result of dehydration during the severe weather of January and February 1963 large quantities of goods were returned by Smedleys for re-packing and that the consequent crisis was one of the main reasons why R.V.S. had failed to turn the corner and prosper. Lorraine said that the return or rejection of goods by Smedleys had led to R.V.S. becoming indebted by June 1963 to the extent of £144,000 to I.F.L., because Smedleys refused to pay for goods supplied until their claim for allowances had been settled and I.F.L., having a right of recourse against R.V.S. in turn claimed for repayment of money paid to R.V.S. on account of factoring Smedley invoices. Roe arranged that from June 1963 onwards the Smedley invoices would not be factored by I.F.L. although school and hospital contracts would continue to be factored but I.F.L. instead of paying the proceeds (less discount) to R.V.S. would retain them in reduction of the debt of £144,000. Roe confirmed that this was the settlement arrangement that he had made on behalf of R.V.S. with I.F.L. in June 1963, whilst Lorraine criticised the arrangement but propounded no alternative in evidence before us.

138. When we heard Mr. Gray Polden, the Chief Accountant of Smedleys and Mr. Robert Charles Elton one of his assistants and examined the documents they produced to us, we discovered that the dealings of R.V.S. with Smedleys were very much smaller than we (or anyone else e.g. the Royal Bank of Scotland (hereinafter called the Royal Bank) and the Board of Trade to whom representations about the volume of the R.V.S. / Smedley business had been made) had been led to believe and that the total value of all goods returned to R.V.S. by Smedleys amounted to only £5,173. On the other hand in June 1963 the amount claimed from Smedleys by I.F.L. had indeed risen to over £140,000.

139. In order to explore the apparent conflict of evidence we recalled certain witnesses of whom one - Kinsley - had been responsible to a large extent for the preparation and despatch of invoices for goods sold to customers including Smedleys. He adhered firmly to the assertion that goods were returned in large quantities by Smedleys, and that on Lorraine's instructions no credit notes were issued, but the goods themselves, after re-packing, were returned to Smedleys in replacement of the returned goods. Kinsley further stated that, again on the instructions of Lorraine, invoices were issued upon the subsequent re-delivery of the re-packed goods, which gave rise to duplications of charges to Smedleys and I.F.L.

140. We had found among the papers in the custody of the Receiver of R.V.S. a copy of a telex message from Lorraine to Roe dated 6th June 1963, which is reproduced in full as Document 3 in the schedule of documents annexed hereto. We questioned Kinsley upon certain passages in this message which related to action to be taken by 'Joe', which Kinsley agreed was a reference to himself. Kinsley was unable to give us any satisfactory explanation of these references, but admitted that they could only carry the meaning that invoices were being issued and factored in respect of goods which had at best not yet been delivered and at worst were not going to be delivered.

141. Smedleys were in receipt of statements from I.F.L. which between February and May 1963 were somewhat delayed. When, however, statements were received for that period, Smedleys were perturbed to note that the statements contained many invoice numbers of which they had no knowledge. On 28th May 1963 Smedleys wrote to R.V.S. a letter enclosing a list of invoices amounting to £79,749. 1. 9d. of which Smedleys had no trace. In the outcome it was agreed by I.F.L. that R.V.S. should deal direct with Smedleys in the agreement of accounts and settlement of differences. Thereafter Kinsley produced periodical statements of account due by Smedleys, with which Smedleys were able, with little difficulty, to agree.

142. It is apparent, therefore, that Kinsley was able to distinguish invoices of which Smedleys had knowledge and which were acceptable by Smedleys and those invoices, of which Smedleys had no trace and would not accept. Accordingly, in the light of the foregoing considerations, Kinsley must have been aware of the issue of invoices purporting to relate to goods which had not been despatched and never were despatched.

143. The terms of the telex message of the 6th June 1963 make it clear that Lorraine was aware of the process which he described as "advance factoring". Kinsley told us that he himself acted throughout upon Lorraine's instructions and we are satisfied that he did.

144. The terms of the telex message of the 6th June 1963 make it clear that Roe was at least aware of some degree of irregularity in the factoring of invoices and we

are satisfied that, even if he did not then know the full nature and extent of the irregularity, he must have become aware at the latest when the final settlements were made with Smedleys and I. F. L.

145. We have compiled from the information available to us, an analysis of the sum of £144,000 claimed by I. F. L. from Smedleys between (1) Valid claims for goods duly delivered and invoiced totalling £13,334. 2. 1., and (2) Claims based upon invoices purporting to record the supply of goods, which were never delivered totalling £131,032. 13. 11. We summarise this information in Schedule IV to this report.

The Glenrothes Project

146. After Mr. David Black had reported favourably to Roe on the 23rd February 1963 (see Paragraph 129 above) upon the factory site at Glenrothes, negotiations started with the Development Corporation in earnest. At the outset of these negotiations Developments had an issued capital of £2 and the following investment companies guided by Roe who, at all material times, was a director of each of them, had lent the following sums of money.

Investment	£41,400
Benitax	£36,000
Tipam	£ 4,000
Pasture Investment Establishment	£ 1,000

In addition R. V. S. had invested £6,000 by transferring that sum to Developments from its Lloyds Bank (Hove) account. These investments, in addition to the money which had gone to R. V. S., had for all practical purposes absorbed all that could be obtained from Investment and Benitax. We do not know for sure, the position of Tipam and Pasture, but we are satisfied from correspondence, the evidence before us and the expedients which were employed from this time onwards to raise funds that no significant additional resources were obtainable from investors who had so far supported R. V. S.

147. Roe having admitted to knowing in the summer of 1962 that of the £218,000 which, by then had gone into R. V. S., half was lost, would not commit himself to knowing how much had been lost of the £254,000 which, by the early part of 1963 had gone into R. V. S., but he could not tell us of any factor, which might have brought about some improvement in the fortunes of R. V. S. between the summer of 1962 and the early months of 1963 and admitted that the Smedleys' crisis, in the form in which he described it to us, could not have other than a worsening effect on R. V. S. Loraine, on the other hand, made no bones about his knowledge of the fate of the money which had gone to R. V. S. He thought in the early part of 1963 that almost all of it had been lost and made the not unimportant admission to a Mr. Alfred Ernest Draper, a journalist who interviewed Loraine in Rome after the final collapse of the Glenrothes project, that

"R. V. S. was £200,000 in the red before we went to Scotland, but we had to try and save it because it was an essential part of the overall plan. The meat from Scotland was going there. If it failed, there would have been no point in the Scottish scheme. In fact we were dead before we started".

148. It is appropriate at this point, at which we record the commencement of the Glenrothes project, to review the progress of R. V. S. down to this point. By the early autumn of 1962, when Roe, Loraine and Sanders decided to spend £30,000 in the building of a new factory at Partridge Green, R. V. S. had borrowed, sunk and lost £218,000. By the Spring of 1963, even ignoring the large irregular 'borrowing' from I. F. L. by the factoring of invalid invoices, borrowing had increased to £254,000, all of which had been irretrievably sunk in its undertaking. R. V. S. at that stage was seriously embarrassed for liquid funds and had nothing to spare for any project in Scotland even at the modest - by comparison to the ultimate size to which it grew - initial commitment of between £40,000 and £50,000.

149. Roe, Loraine and Sanders could only have entered upon the Scottish venture and taken part in its enormous proposed extension in the hope that financiers would somehow or other be found and by some means or other induced to provide the very large sums of money, of which they envisaged the expenditure.

The Glenrothes Development Corporation

150. The Development Corporation is a corporation set up by virtue of the provisions of the New Towns Act 1946. It consists of a Board of 8 people from different walks of life, each distinguished in his own field, who are appointed by the Secretary of State for Scotland. It has a permanent executive staff, the principal members of which are Brigadier Richard Stanislas Doyle, the General Manager, Mr. James Dargie, the Chief Finance Officer and Mr. Keith Ferguson, the secretary and legal adviser.

151. The Development Corporation's powers of giving assistance to industrial concerns, who take their industry to Glenrothes, is subject to the approval of the Scottish Development Department, which comes under the Secretary of State for Scotland. The Development Corporation builds standard factories, which it sells or leases

to industrial concerns. It also has land available, which it sells or leases to industrial concerns on which either the Development Corporation builds to the industrialist's requirements, or on which the industrialist builds himself.

152. The Development Corporation in submitting a project for approval to the Scottish Development Department makes a recommendation as to whether the Department should or should not approve the project.

153. In the initial stages of a project the permanent executive staff deal with the enquirer. They find out what the project is; what the developer needs in the way of buildings; whether he requires a standard factory modified to suit his needs or to build to special requirements; whether the adaptation of a standard factory or the building of a factory is to be undertaken by the Development Corporation or by the developer; whether the developer wishes to make use of the Development Corporation's architectural and surveying services; what financial assistance from public funds the developer will require and so forth.

154. One of the objects, if not the principal one, of the development corporation, is to encourage industrial concerns to come to its particular area. Some are so placed that little or no encouragement is needed, but Glenrothes is not an area where the factory space available will be readily taken up by industry and its Development Corporation is conscious, and must be conscious of the need to "sell" to industry and of the fact that there are development areas elsewhere, more attractive to an industrial concern.

The Growth of the Project

155. Mr. David Black's report of 23rd February, 1963 (see paragraph 129 above) to Roe regarding Glenrothes related to one standard factory then already built, and upon this factory, No. 8, the initial enquiry to the Development Corporation was made. Had the project remained the same size as when it was first mooted it would have involved this one factory costing about £25,000 and an overall capital outlay of not more than £50,000. With every meeting with the Development Corporation, however, the project grew until it became one involving £3m. worth of building and a vast overall capital outlay. At a meeting on 8th August, 1963, largely due to the anxieties of 2 members of the Board - Mr. Robert Ronald Taylor, the present Chairman, and Mr. Andrew Whamond Modie - and the advice they gave to Roe and Lorraine it was agreed that the project should be carried out in two phases, each phase involving approximately £1½m. worth of building. Phase 1 was limited to what Roe and Lorraine said was absolutely necessary to meet production for which they had firm contracts. As it turned out the project collapsed as the building side of phase 1 was nearing completion and before anything had been done to implement phase 2. At this meeting of 8th August, 1963, Mr. Taylor asked Lorraine if in addition to a building grant, for which he knew an application was going to be made to the Board of Trade under the Local Employment Act 1960, an application to the Board of Trade under the same act was being prepared for a loan and got the surprising answer that those concerned in the project had so much money behind them that they were not interested in such a loan. This did not impress Mr. Taylor because, as he pointed out to Lorraine, any businessman who could obtain an interest free loan and did not do so was unbusinesslike and even if they had unlimited resources, to apply for a loan would be prudent. Lorraine then said that the question of a loan would be worth investigating, but reiterated that they did not need a loan to make the project viable. The question of what money they had was further enlarged upon and Roe said that they had something approaching £750,000 already committed to the project and that they had additional funds of £500,000 lodged with the Bank of England. Both Mr. Taylor and Mr. Modie's recollections on this are clear and precise. It was said by Roe in the presence and hearing of Lorraine, who did not correct it or comment on it.

156. By the 28th May 1963 the project then stood as one involving about £3m. in buildings. All the alterations and extensions, as was all new building connected with the project, were to be carried out by Building. The buildings were to be:

Factory No. 8	already built by the Development Corporation, of 13,175 square feet, which was to be altered and extended so as to increase its size by 40,000 square feet.
Factory No. 9	already built by the Development Corporation, of 23,522 square feet, which was to be altered and extended to add a rusk and skin store.
Factory No. 10	partly built by the Development Corporation of 22,490 square feet, which was to be completed, altered and extended by the addition of a boiler house, a smoke room, a further rusk store and brine house.
Offices No. 8A	to be a block of offices of 5,296 square feet to be constructed adjacent to factory No. 8.
Offices No. 9B and 10C	to be two blocks of offices linked together of 18,116 square feet in the aggregate, adjacent to factories No. 9 and 10 which were themselves adjacent, to be built with a link corridor to join the offices adjacent to Factory 8 with those adjacent to Factory 9.

consisting of:

Site 8A of 4.24 acres which were to be converted into a vehicle parking space for approximately 100 refrigerated vehicles.

Site 11B of 41,000 square feet on which workshops, laundry store and pumps were to be constructed.

Site 11C on which a covered parking bay was to be constructed.

Site 11E on which a boiler house and what is called a link block and sub-station were to be constructed.

What is called Site 11D related to tarmacadamming the rest of the site, drainage, fencing and electric points.

157. All the above are situated on part of what is known as the Queensway Industrial Estate. A mile or two away at West Finglassie and Bankhead was a site of 66.108 acres on which 4 blocks of pig houses each with its pigmen's dwelling houses, gate house and mill house to house the automatic feeding plant - each block being completely walled in - were to be constructed by Building at a building cost of £277,000.

158. All the above constitutes what became Phase I and by the date of the order for the compulsory winding up of Building had been largely completed. The total building outlay involved in Phase I was approximately £1.5m. including the value of the building work carried out by the Development Corporation on Factories 8, 9 and 10 before the Cadco scheme was mooted.

159. Phase II of the project, which involved approximately the same amount of new building as that detailed above and the same amount of capital outlay, was being canvassed at this time but had not reached beyond planning stage. It was to consist of:

Factory No. 12 - a large circular building of some 70,000 square feet in which dairy and vegetable products were to be processed, with a Manager's flat on top. This was to incorporate an ice cream factory, over the design of which an Italian adviser was to be engaged by the Cadco Group.

Factory No. 78 - a packaging and printing block and film studio, where all the packaging material was to be made, and the printing for the whole project was to be carried out including printing on the packages, and films were to be produced. The size of this block was 40,000 square feet without the studio.

Factory No. 16 a pie and bacon factory and a canteen, in addition to that which was to be housed in Factory No. 11.

160. At this stage there was in the minds of those behind the project, because mention was made of it at the press conference on the 28th May, 1963, an idea to build in the town centre of Glenrothes a supermarket in which to sell their produce. This idea had not been discussed with the Development Corporation. When it was it emerged as a tea room and two supermarkets but after discussion it was cut back to one supermarket and added to Phase I.

Piggeries

161. The design and architectural work upon the greater part of the project was carried out by staff employed by Building in collaboration with the architectural staff of the Development Corporation. The design of the largest single item i.e. the piggeries - representing a total expenditure of some £277,000 - was upon a different footing to which we feel some reference is essential.

162. It will be remembered (see Paragraph 130 hereof) that Mrs. Mollie Loraine had been occupying Boleskine House by Inverness ever since September 1962 with Mr. Peter Rolfe Johnson and that a company called Lochness Foods Limited had been formed in November 1962 to develop a pig fattening business at Boleskine House. According to Mrs. Mollie Loraine the initial arrangement was that Lochness Foods Limited should build 5 pig fattening units each capable of housing 1,000 pigs with money lent by R.V.S., which was to be repaid out of Lochness Foods' profit and which was to receive pork from the Lochness pigs at a price which was to be fixed for one year at a time, certain, so as to eliminate price fluctuations.

163. According to Mrs. Mollie Loraine, Mr. Johnson designed the two houses upon the basis of certain drawings which he received from the North of Scotland College of Agriculture. These were in fact the work of a Mr. D.S. Soutar, with whom we have communicated. In producing the drawings Mr. Soutar warned Mr. Johnson - who for some reason, which we have not pursued, was at that time calling himself Allan - that he (Mr. Soutar) could not approve the design nor could he recommend the manner of management of the pigs implicit in the piggeries, if constructed according to the drawings. A letter to us from Mr. Soutar dated the 12th April 1965 and its enclosure - a copy of a letter dated 24th October 1962 addressed by Mr. Soutar to Mr. "P.Allan" - are documents 4 and 5 respectively in the schedule of documents annexed hereto.

164. Work on the piggeries started around December 1962. The building was carried out by Mr. Johnson hiring a foreman and a few men. One pig house was completed, another nearly completed but the remaining three were never started.

165. The total expenditure upon the two houses was £27,856 which was provided as to £10,256 by R. V. S. as to £12,000 by Building and as to £5,600 by Developments. The division of the advances over the three companies reflects the method by which the money was provided. At first money was sent, as and when required, from R. V. S. to Lochness Foods, but as soon as the Glenrothes project was started and funds became available in the shape of loans from the Royal Bank - although authorised for Glenrothes only - advances from R. V. S. ceased and instead were made by Building directly or through Developments.

166. It may be noted in passing that Lochness Foods was held out to the Development Corporation as a small pilot scheme and the architectural staff of the Development Corporation went to see the first pig house to be completed so as to base the much larger Glenrothes pig units upon it. In fact the piggeries at Boleskine were never used for more than a fraction of the number of pigs for which they were designed, and as a pilot scheme the Lochness project was never even tested. Mr. Soutar had a number of objections to the design of the comparatively small pig houses at Boleskine, *inter alia* that the proposed pens were too large. It was an act of folly on the part of Building to base the design of the large units to be built at Glenrothes on those at Boleskine, particularly without obtaining any technical advice on the problems inseparable from keeping in one place such a large number of weaners as the Glenrothes piggeries were designed to hold. Though the Pig Industry Development Authority offered to give advice its offer was not accepted. The result is that many defects of design are present in the Glenrothes piggeries, the most serious of which is that no adequate arrangements were made for disposing of the effluent. The problem of effluent - in this case from 20,000 weaners, equivalent to that of a town of 50,000 inhabitants - is a major part of the design of any piggery, and the installation of a nine inch pipe (incidentally with an inadequate fall) leading to a storage tank capable of holding no more than the effluent which would have been produced by a full complement of weaners every 24 hours, could hardly be regarded as, even an adequate temporary measure, if the piggeries were to be brought into early operation.

The Builders

167. A special feature which proved ultimately to be the source of a great deal of the trouble which arose from the venture was the insistence of Roe, Lorraine and Sanders that all building work should be carried out by Building which was described as a "subsidiary" of Developments. It was claimed in discussion with the Development Corporation officials that Building had considerable experience of building in the South of England. In fact Building was not a subsidiary of Developments and had never as a company engaged in any building operations. The justification for the assertion of its building experience was, according to Lorraine, that R. V. S. had had on its pay roll some builders and builders' labourers, painters, etc., who had done some of the building work involved in adapting the Partridge Green factory. One of these was Mr. Thomas, who had originally taken Lorraine into partnership in his butcher's shop at 11 Victoria Terrace. He told us that he had some experience of bricklaying and was, as a result, put on to building work. He gave us a graphic account of the way building work had been done at Partridge Green.

"The factory is not opening, there is no sign of it being opened. He (Lorraine) says 'Now, you are handy at brickwork and all that sort of thing' - would I go out to the factory and chase up the building. I had done bricklaying and had studied brickwork technology and knew the job, so I leave the shop and the fellow who is managing the sausages downstairs, he is managing the whole thing while I go out to Partridge Green. When I get out there I find that I have got 50 breezeblocks, so sand and no cement. I get on the phone to him - 'I want some sand and cement.' The next day I get the sand, then another day goes on and then I get the cement. As soon as I get the cement, it did not take me long to put up 50 breezeblocks, then I am out of breezeblocks. All the time he is scraping and pushing around trying to find money to buy material and nobody would give him credit."

168. It was, however, noted by the officials of the Development Corporation that Building took every opportunity of recruiting technical staff in Scotland - on occasion by "poaching" staff from the Development Corporation itself and from the local quantity surveyors. Not even the technical staff came from the alleged scenes of Building's former activities and the whole of the labour force was, as might have been expected, recruited locally in Scotland. Nevertheless it does not appear to have occurred to any of the officials to question the competence of Roe, Lorraine, Sanders or Black to control and supervise building operations of such substantial size.

Finance for the Project

169. By the date on which the Development Corporation took its first letter of indemnity from Developments, namely the 19th March 1963, no enquiries had been made by the Development Corporation into the financial capacity of those responsible for putting forward or into the viability of the project itself. The executive staff at Glenrothes had seen, met and talked to Roe, Black, Lorraine and Sanders; Brigadier Doyle had paid a visit to R. V. S. and come away thinking that he had seen a thriving concern.

Brigadier Doyle was told that R. V. S. had made a profit either "in the last year" or "last year" of - so far as he can recall the figure mentioned - £134,000, but at all events it was very very large indeed for the size of the factory. It is strange that Brigadier Doyle when he gave evidence before us should have recalled this figure of £134,000 because, according to the draft accounts which were by then in the hands of those behind the project, R. V. S. made a loss of £134,000 in its financial year ending April 1962, a fact which the Brigadier did not know at the time he gave his evidence before us. Throughout his visit of a few hours, - he flew down from Scotland in the morning, saw the factory and flew back again in the day - the Partridge Green factory was a hive of activity with about 60 people working like beavers, whom he was told constituted the day shift.

170. In April 1963 Roe met the Manager of the Glenrothes Branch of the Royal Bank with the Royal Bank's Superintendent of Branches and Assistant Superintendent. They had had the project outlined to them and been told that the group wished to conduct the banking business of the Group's Glenrothes project with the Royal Bank. On the 22nd April 1963 the following messages passed between Roe and the Royal Bank.

"Would like to open Cadco Building Co. Account this week and would be grateful if you would grant temporary overdraft facilities for 30 days up to maximum £20,000 covering one month's wages. First payments by Development Authority will completely repay this sum and Directors Cadco ready to undertake repayment this sum within 5 weeks".

This message was sent at a time when the Development Corporation was under no obligation to pay for anything and in fact 12 weeks before any contract existed. The Royal Bank asked whether the directors would guarantee repayment and received the reply from Roe.

"Re Cadco. Directors Cadco namely Roe, Sanders and Loraine are of course willing guarantee overdraft".

On the 3rd May 1963 the overdraft was authorised on a temporary basis against a joint and several guarantee by Roe, Sanders and Loraine for the purpose of purchasing materials, etc. for work for the Development Corporation. On the 9th May 1963 the Royal Bank was asked to transfer £19,000 from Building's Account to Developments' account at Lloyds Bank, (Cox and King's Branch). On enquiring the reason, the Branch Manager of the Royal Bank was told by Loraine that Developments had already expended £19,000 on behalf of Building on advance payments for the erection of 20 pighouses at Glenrothes. This was not true. On the 26th June 1963, the Royal Bank at a meeting with the executive officers of the Development Corporation had stated that it was difficult to see how a company (i.e. Building) with an authorised capital of only £100 could possibly undertake contracts involving over £1m. Brigadier Doyle's attitude was that he did not think that the Development Corporation could do less than strain every nerve to assist those who were going to provide employment for some 2,000 people - he, by that time, had seen the 1st draft of the press hand-out, prepared for the conference with which we must now deal.

The Edinburgh Press Conference

171. The impression which was implanted into the mind of Brigadier Doyle on his visit to Partridge Green was in no way corrected by what transpired at a press conference which was arranged in the North British Hotel, Edinburgh, on the 28th May 1963. The conference was, as is not unusual in such matters, designed to attract as much publicity as possible. Besides a large gathering of pressmen there was present a number of people prominent in public life in Scotland, the chair being taken by the then Chairman of the Development Corporation, Lord Hughes. Loraine and Roe were there with Sanders and his wife, Benita Hume. A prepared statement was handed to the press representatives which we quote as follows:

"Food processing, box and carton making, and specialised printing - these are the three components of a new industrial complex which is to be brought to Scotland by a Continental controlled group. On a site of more than 40 acres at Glenrothes new town, the CADCO group are to establish five factories. At Glenrothes it will mean a £3m. investment and eventually there will be work for 2,000 people.

The food products side will be through a subsidiary the Royal Victoria Sausages Co. Ltd. Three factories totalling 60,000 square feet have been taken over for the production of sausages and pre-packed frozen goods. Two more factories are being built - one of 75,000 square feet for dairy products and the other of 47,000 square feet for other food products.

Allied to these developments will be a pig producing unit costing £300,000. In the centre of the town a supermarket will be opened shortly. The company will make their own cartons and do their own printing. Other specialised printing will be introduced.

Building the two factories will be another subsidiary, CADCO Building Company Limited. The three existing factories are being converted at present and the supermarket is under construction. Work on the two food plants will begin later this year.

As well as the direct contribution to employment opportunities at Glenrothes the new concern will become a large customer to the Scottish farming industry. The main markets for the food products will be in the United Kingdom, although there will be exports to Commonwealth countries. CADCO Development Ltd. see expansion into the European market as inevitable but through branch factories with Glenrothes remaining the headquarters.

The company selected Glenrothes after visiting several sites in Britain. Scotland was chosen because of its agricultural potential and Glenrothes in particular because of the efforts and zeal of the New Town Development Corporation. Directors of CADCO paid their first visit to Glenrothes four months ago and the first three factories are now well on their way to being ready for production. The company has a food product factory in the South, together with two depots.

Founder of CADCO is Mr. George Sanders, the world famous film star. Once the food processing industry is well established Mr. Sanders and his associates will consider the possibility of building and opening a film industry at Glenrothes. His wife Benita Hume is also associated with CADCO along with Mr. Denis Lorraine, who will be in charge of the Scottish Food Producing Company. Mr. T. C. W. Roe who is President of Rohman Services S.A. in Switzerland, is the fourth member of the Board of CADCO."

172. This document was prepared by Mr. David Donald, the Information Officer of the Scottish Council (Development and Industry Branch) and was based upon information given to him by the promoters. It is worthy of note that in forwarding the first draft (in which it was stated among other things that R. V. S. had 3 food product factories in the South employing 400 workers; that Sanders was a highly successful businessman; that Lorraine was a leading film scriptwriter and that other famous names connected with the company included Robert Mitchum, William Holden, Charlie Chaplin and Grahame Green) to Roe and to Brigadier Doyle, Mr. Donald wrote:

"As you will see I have underplayed the colourful aspects of the story because I think these will come out very clearly at the press conference and need no underlining".

173. Whilst the reference to the size of the operations of R. V. S. in the South, to Sanders' success in business and Lorraine's success as a scriptwriter, as well as the reference to the other famous names were taken out at Roe's insistence, the document, even so modified was in total effect and many details misleading and untruthful.

174. Lord Hughes opened the proceedings after the press representatives had been given time to digest the contents of the hand out. Having introduced the directors of Cadco to the meeting, he welcomed the project in a short speech in which he was reported as having said that, in terms of employment, the new enterprise was the biggest thing in Scotland since the advent of the motor industry or the forthcoming pulp mill at Fort William. Then Lorraine and Sanders spoke, the former enlarging on the food production side of the scheme and claiming that 80% of the labour force of 2,000 ultimately to be required, would be men; the latter enlarging on the studio and on the popularity on the Continent of "photo-romance" magazines, their potential in England and how it was a short step from the production of such magazines to the production of films.

175. Whilst the company was entertained to refreshment of which R. V. S. sausages played a prominent part, the photographers got to work chiefly with Sanders and Benita Hume as their targets. Whilst this was going on the press representatives had an opportunity of asking the promoters questions about the project. In many press reports before us Lorraine is reported as making such extreme statements that we thought it necessary to call before us some of the press representatives who were present. A Mr. James Michael Ferrie has confirmed to us that he wrote down verbatim as Lorraine said it to him:

"We will export at least £7,500,000 worth of food to the Commonwealth every year".

Asked how this would be achieved, he said;

"We have at present about 20 top selling agents exploring and booking orders in every Empire country. I organised our selling force before I asked for the blue-prints of our factories. If you can find markets for your goods the rest is easy. We already have in our pockets contracts for our produce worth about £45,000,000".

These, - apparently some of the more 'colourful aspects underplayed' by Mr. Donald - are in marked contrast to the admission Lorraine made after the crash to Mr. Alfred Draper which we have quoted in paragraph 147 above.

176. On the evening of the day of the press conference Sanders went before the television cameras in Glasgow and was interviewed.

177. We have already reported in paragraph 173 on Brigadier Doyle's visit to Partridge Green, when he was told of the profit which R. V. S. had made. At several meetings of a series which took place with the executive officers of the Development Corporation following Mr. Black's initial visit in February 1963 up to the start of building Lorraine and Roe asserted that R. V. S. had been built up from very small beginnings into a substantial and thriving business and that Sanders and certain associates of his in the film world would be providing a large proportion of the additional finance required for the ambitious scheme at Glenrothes. On more than one occasion both these assertions were uttered in front of Sanders, who did nothing to correct them or dissociate himself from them. So far as Sander's own knowledge is concerned, he had, as long before as 17th May, 1962, put his name to the letter calling for Lorraine's resignation (see paragraph 118 above) and must, even then, have known that R. V. S. was neither a substantial nor thriving business, but one in which he and his wife had already lost very substantial sums of money.

178. Despite the injection of some £254,000 in the form of loan and share capital (see paragraph 147) R. V. S. had continued to be gravely short of working capital and it was known to Roe that Lorraine was resorting to the practice described as "advance"

factoring of invoices. Roe was continually promising and deferring repayment of earlier advances, (e.g. from I. F. L. and Bramfield). Even if Loraine and Roe thought that the business was expanding and thriving – and such statements of affairs and accounts as were available did not suggest that profits were being earned – they could have been in no doubt that R. V. S. was overtrading to a most dangerous degree and such resources as it had collected were already wholly sunk and largely lost, in its undertaking.

179. The press statement said that the "new industrial complex ... to be brought to Scotland by a Continentally controlled group" presumably to suggest that the necessary financial resources for a venture of £3m. would be provided from Continental sources. Up to the time of the press conference Roe had directed into the Group, in addition to the loans of £254,000 to R. V. S. some £88,400 to Developments and his endeavours to attract other finance, whether Continental or United Kingdom, were, thereafter, largely restricted to obtaining loans from bankers and others upon the security of guarantees given by himself and others. Only some £15,000 to R. V. S. and £6,000 to Developments from Investments in the form of advances as distinct from guarantees was obtained by Roe for the Group after it moved to Scotland.

180. In the circumstances, the conclusion is inescapable that the events of the 28th May 1963 were designed to deceive. They could not have succeeded in a more spectacular fashion. The promise of a great industrial complex bringing jobs to a part of Scotland suffering from a serious unemployment problem was greeted with acclaim by the press and by public men in Scotland, concerned over the unemployment problem. A county councillor was reported as saying:

"We are all naturally extremely delighted by this news, which may possibly make others decide to come here too. There is no reason now why Glenrothes cannot become the workshop of Fife".

Another was reported as saying;

"This is maybe the breakthrough we have been waiting for and for which the corporation have been working so hard. This should help not only Glenrothes but the surrounding area as well".

The General Secretary of the Scottish T. U. C. was reported as having said;

"Any project which is providing 2,000 new jobs is very much to be welcomed".

The Chairman of the Board of Industry was reported as having described the news as "a real ray of sunshine". The press gave the news banner head lines and columns of space. "A Real Scoop". "Fife Jobs Boost". "£3m. Project Means Work for 2,000". "Autumn - Boost Time for Fife". "Sophia McLaren And All This!". "Jobs for 2,000 in Film Star's Plan". "Film Star's Company To Invest £3 million".

The Contractual Position

181. The contractual position may be summarised as follows:- The Development Corporation agreed with Developments to build everything that needed to be built for the project and to alter everything that needed to be altered. Developments agreed to buy from the Development Corporation all the land and buildings concerned in the project on completion of the building work, and were to be assisted in doing so with a loan from the Development Corporation equal to 95% of the price. In the event of Developments obtaining a building grant from the Board of Trade, the whole grant was to be paid to the Development Corporation and deducted from the price payable by Developments, who in that event were to be lent 95% of the balance of the price. In either event the Development Corporation was to be repaid by Developments over 20 years with interest at the rate of 7½% per annum.

182. The contractual position between the Development Corporation and Building was that Building became the contractor employed by the Development Corporation and entitled to instalment payments against the certificates of the quantity surveyors, which were to be issued fortnightly. The formal building contracts were not executed until the spring of 1964 due to difficulties over certain details, though the main work started under the first building contract on the 8th July 1963 pursuant to an oral authority to commence work.

Inquiries by the Development Corporation

183. The order by the Development Corporation to start building was given some time before the 8th July 1963. By then the Development Corporation had asked a company, Beckman Instruments Limited, which had a factory in Glenrothes, to obtain a banker's reference on the Cadco companies. Beckman Instruments approached The Bankers Trust Company, but that company's reply had not been received in Glenrothes by the time the order to start was given to Building. Surprisingly, neither the executive staff nor any member of the Board of the Development Corporation saw in the replies which the Beckman Instruments enquiry ultimately produced, anything to put them on enquiry.

184. The replies read as follows:

(a) of 10th July 1963

"We refer to your letter of 1st July 1963 requesting information on Cadco Development Co. Ltd., Cadco Building Co. Ltd. and Royal Victoria Seasing Co., and are now pleased to supply the following information, resulting from a search at the Companies Registry.

The Connection between the three companies is through the directorate; Cadco Developments Ltd. and Cadco Building Co. Ltd. were incorporated in August 1962 and each has a capital of £100 in £1 shares, with 4 shares issued, and the board of directors comprises D. H. Lorraine, Thomas C. W. Roe and George Sanders. The address of both companies is Station Approach, Partridge Green, Sussex.

Royal Victoria Seasinges Ltd., also of the same address, was incorporated in January 1960 and has a nominal and issued capital of £44,700. The directors are the same as those of the other two companies and the shares (1,200 ordinary and 43,500 5% Red. Cum. Pref.) are largely held by investment companies in the Netherlands Antilles. A mortgage is registered to use of these investment companies. Further information regarding three of the Netherlands Antilles companies has been requested from one of our correspondents.

Our agency informants had a report on only Royal Victoria Seasinges Ltd. It added little to the information obtained from the Companies Registry, but did mention that this company is purchasing three standard factories built by the Glenrothes Development Corporation. It is an Exempt Private Company, and no accounts are therefore available."

(b) On 18th July 1963

"We refer to your letter of 1st July, 1963, regarding Cadco Development Co. Ltd. and are now pleased to quote the report which we have obtained on your behalf on Bramfield Investment Co. N.V., Cadco Investment Co. N.V. and Benitax Investment Co. N.V. of Curacao.

"We are told:

"These are all investment companies established in Curacao in order to enjoy the advantage of the favourable tax rate for such companies, being only 10% of the normal profit tax rate. On a profit of up to NAf. 100.000 - such companies pay 2-4% profit tax; 3% on profit in excess of that sum. The companies mentioned have in common that they were established and are managed by Curacao Corporation Co. N.V., Curacao, a company founded for the purpose of administering and managing similar investment companies.

As these investment companies are not engaged in activities in Curacao, we regret not to be able to give you more detailed information, but we may add that the people behind Curacao Corporation Company N.V. are regarded as competent and reliable."

185. The members of the Board of the Development Corporation were, however, anxious at the way the size of the project had increased hence the meeting on 8th August 1963 that Mr. Taylor and Mr. Mudie held with Roe and Lorraine referred to in paragraph 155 hereof. The meeting was used by Mr. Taylor and Mr. Mudie to urge Roe and Lorraine not to delay their application to the Board of Trade for a building grant. The reason why the Development Corporation wanted the application to the Board of Trade made without delay was that the Development Corporation knew nothing of the standing of those behind the project, other than what they had been told by Roe, Sanders and Lorraine and by the Bankers Trust Company, and knew nothing of the viability of the project. They knew that before a building grant was made by the Board the application would have been subjected to an accountant's investigation. They assumed that the Board of Trade would approve or reject an application for a grant within a few weeks of the applicant applying. They considered that it would be reasonable to leave the question of investigating the standing of those behind the project and its viability to the Board of Trade. It might be putting it a shade too high to say that there was an agreement between the Development Corporation and the Scottish Development Department to leave these matters to the Board of Trade, but certainly the Scottish Development Department knew what the Development Corporation's thinking was on these matters, raised no objections and put forward no alternative. It is equally clear that no member or official of the Board of Trade or B. O. T. A. C. was told that decisions, other than those which the Board of Trade and B. O. T. A. C. would themselves be making on the application for a building grant, would depend on the outcome of the application.

186. Mr. Ferguson, the Secretary of the Development Corporation, Mr. John Stuart Scott-Whyte, the Assistant Secretary of the Scottish Development Department and Mr. James Darragh, the Secretary of B. O. T. A. C. all gave evidence before us. The following extracts from their evidence will illustrate the attitude and the hiatus which existed between the Development Corporation, the Department and B. O. T. A. C.

187. We quote first from the evidence of Mr. Ferguson, the Secretary of the Development Corporation.

"Q. Before you take the letter of indemnity have you enquired into the stability of the Corporation giving it?

A. Normally, we have. There is no set time procedure. In this case we deferred making any concrete enquiries until the ideas as to the size of the project had crystallised and we wanted to know to what extent we were enquiring ... We agreed at this time, due to the immense expansion of the project, that it was very difficult for the Corporation as such to assess its viability and we agreed with the Scottish Development Department that the assessment of that viability would be much better handled in the course of the application for B. O. T. A. C. assistance ...

Q. On what date do the Glenrothes Development Corporation first commit themselves contractually to anything in relation to this affair?

A. ... In July 1963 when the Building Company began to create their organisation to undertake the building works ...

- Q. Taking the date when you first entered into contractual obligations to Cadco Building, what enquiries had been made by the Development Corporation into the stability of the various companies within this group?
- A. Enquiry was made using the services of Beckman Instrument Limited ... and we received copies of reports dated 10th and 18th July 1983."

(i.e. the Bankers Trust Company letters set out in paragraph 184 hereof).

188. Next we quote Mr. Scott-Whyte, the Assistant Secretary of the Scottish Development Department.

- "Q. I will see if I can find exactly what Ferguson said - (an extract of the transcript of Mr. Ferguson's evidence was read). Before that he had said that there was an agreement between Glenrothes Development Corporation and the Scottish Development Department that really the question of viability should be left to B.O.T.A.C.
- A. I think 'agreement' is probably putting it a bit high ... Before any action was taken on this proposal they (that is the Glenrothes Development Corporation) came to say that it (the project) had been considerably extended ... This put a different complexion on it, both for them and for us, and one of the things that we naturally wondered was whether the Company would be applying for B.O.T.A.C. assistance because if they were, this meant that they would be investigated by B.O.T.A.C. and if their affairs, you know, were sufficiently satisfactory for B.O.T.A.C. to recommend in their favour then we would not see any difficulty about it from our point of view. The proposal then changed again; it became even bigger. We were told they wanted to go ahead only with a first phase of this very large project, which was about £2m. capital altogether.
- Q. The first stage was about a million?
- A. Yes and at this stage we said to the Treasury that we understood that the firm would be applying for B.O.T.A.C. assistance so there would be an opportunity for the firm's credit worthiness to be established, the viability of the proposal. The firm then made it clear that they wished to go ahead with the project, whether or not B.O.T.A.C. assistance was in the end of the day going to be forthcoming and, as a result the Development Corporation committed a certain amount in the way of building and then as time went on and the B.O.T.A.C. application was delayed - as time went on the Development Corporation committed more and more to the project, so that by the time that the B.O.T.A.C. decision eventually emerged most of the buildings were there, as you know ...
- Returning to your original question, I think it is fair to say that it was understood at the beginning of the whole process that we would get a B.O.T.A.C. clearance of the project before the Development Corporation had to commit a great deal to it. The position is slightly complicated by the fact that the Development Corporation had built factory accommodation speculatively, and a fair amount of expenditure involved certainly in the early stages on this, was expenditure which would not be abortive ... therefore there was no particular reason for undue caution ... but as the Company pressed to go ahead - they had very ambitious target dates for production - the Development Corporation found themselves going further and further in advance of B.O.T.A.C. clearance.
- Q. Did anybody from your department tell B.O.T.A.C. that in fact you were going to rely on B.O.T.A.C.'s clearance or lack of clearance?
- A. No we had no contact with B.O.T.A.C. on this."

189. Lastly we quote Mr. Darragh, The Secretary of B.O.T.A.C. who commented upon a part of the transcript of Mr. Ferguson's evidence which was read to him and of which he had a copy in front of him.

- "Q. I have read all that to you because, as you probably will have seen, Glenrothes Development Corporation did in fact enter into contracts with Cadco Building in July, having made an enquiry indirectly to the Bankers Trust Company, and it stopped there, apart from Mr. Doyle and Mr. Ferguson meeting Mr. Loraline and Mr. Roe. The reason given for the paucity of enquiry is that it would be far better for one enquiry to be made and the best enquiry is B.O.T.A.C. Well, I fully understand that, and I fully understand the good sense in saying 'Well, look here, there has got to be a full investigation into this and an accountant's report costs about £100 to get; there is not the slightest point in us having one going on in Scotland and B.O.T.A.C. having another one going on in London; it is much better to leave it to B.O.T.A.C.' But what seems to have gone wrong is that they went ahead and committed themselves contractually months before any application had ever been made to B.O.T.A.C.
- A. Yes.
- Q. Would you care to comment on what I have read to you?
- A. Yes, sir.
- Q. I am glad.
- A. I think the first point I ought to make is that I reject the inference in this thing altogether, that the B.O.T.A.C. enquiry had anything whatsoever to do with enquiries which the New Town Corporation should have made for themselves. I think this is the fundamental point that I really would like to make.
- Q. And you reject it quite definitely. You say there was no agreement that you should do the spadework for everybody?
- A. None whatever. First of all, it was one which was not made and, secondly, if it was one which had been made it is one which we would have rejected.
- Q. You say this do you - that if a development corporation (it does not matter which) wrote to the Board of Trade and said 'We have negotiations on foot which will involve a substantial amount of money and by that we mean other than Board of Trade Grants. We do not propose to bring these contracts to finality at all until a very careful investigation has been carried out. We understand that these applicants are in the process of applying to you for a building grant. We take it that you will not consider that until you have had an accountant's report. We suggest that neither does anything until an accountant's report, but we leave the accountant's report to one of us to be decided' - You say that that would be a suggestion which you would not entertain?
- A. The Board of Trade Advisory Committee would not accept that.
- Q. Why not? That seems to me quite sensible.
- A. I think we must raise here - and one hesitates to use a word like 'constitution' but for the lack of a better word, one raises a constitutional position here, which is that these applications are referred to the Advisory Committee by the Board of Trade for advice, and it is only to

the Board of Trade that the Advisory Committee can give advice and no one else, and in fact if anyone did make any enquiries from us as to the progress of an application and what the Advisory Committee's recommendation had been on it, we would not tell them. We tell the Board of Trade what the answer is.

Q. Even to the Board you would not give details?

A. If the answer is a rejection we do not provide the Board with any reasons.

Q. Nor would they see your accountant's report?

A. They do not see any of our papers at all. All of the papers which are prepared in connection with an application to the Advisory Committee are held inside the Board of Trade, to be privileged inside the Board of Trade. In other words, they are not available to any other part of the Board of Trade.

Q. In fact they are confidential to the Committee and its officers.

A. Exactly.

190. In addition to the three witnesses from whose evidence we have quoted, we saw Mr. Ian Gray, an officer in the Distribution of Industry (Regional Division) Board of Trade, who told us that his division was never approached with the suggestion that the Board of Trade should in some way make an investigation into the viability of Cadco on behalf of another department or of the Development Corporation.

191. The attitude of the Board of Trade might appear to be unco-operative until it is realised that B. O. T. A. C. is a completely independent body of business and professional men, who are not civil servants, set up under the Local Employment Act 1960 to advise the Board of Trade on the making of grants and loans under the act. Information given to it is treated with the utmost confidence. Where loan assistance is sought, the Board of Trade are unable under the act to make a loan except on the recommendation of B. O. T. A. C.: if B. O. T. A. C. recommends that a loan should be made, the Board of Trade may accept or reject the recommendation of B. O. T. A. C., but may not make a loan of an amount or on terms different from those recommended by B. O. T. A. C. Where building grants are concerned the Board of Trade have a duty to consult B. O. T. A. C. before making a loan but may accept or reject their advice.

Application to the Board of Trade

192. After some material delays an application for a building grant signed by Roe was submitted on the 13th September 1963 together with 20 copies of a letter also signed by Roe to the Secretary of B. O. T. A. C. under cover of an official letter and a personal letter from Roe to Mr. Ian Gray. In his personal letter to Mr. Gray, Roe mentions the fact that the project is going to be phased; that it was hoped that phase I would be completed by the end of November 1963 and phase II, which, he said, would be the subject of another grant application, started early in 1964. In his official letter to the Distribution of Industry (Regional Division) he says:

"Application is made in the name of Cadco Development Limited, which is a subsidiary of Cadco Investment Company N.V. and controls the activities of the Cadco Group in the United Kingdom. Operations at Glenrothes will be carried out by Cadco Developments Limited and fellow subsidiaries of the Parent Company ...

It is estimated that Phase I of the building projects will be completed and production started by November 1963 and that the labour force, initially, will be 800. As each phase of the building programme is completed and production stepped up, the labour force will increase and should be at least 1,200 by the end of 1964 and ultimately rise to 4,000."

193. The application form contained the following questions and answers among others:

3. Nature of the undertaking to be carried on in the premises named in 2:

Production and processing of meat, fruit and vegetables and dairy products including allied and subsidiary products such as ham, meat pies and sausages, and the fattening of weaners on the sites on the outskirts of Glenrothes.	
--	--
4. Name of person who will be carrying on the undertaking, if different from that in 1:

Subsidiary Companies: Royal Victoria Storage Ltd., Cadco Livestocks Ltd. and other possible subsidiaries to be formed.	
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5. If a building grant is requested, give the following details:

<ol style="list-style-type: none"> (i) State type of building; (ii) State whether new, extension or adaptation; (iii) Estimate of cost (see T of explanatory notes); (iv) Floor area (in square feet) of existing building (if any); (v) Floor area (in square feet) of new building or extension; (vi) If adaptation, state what is proposed. The adaptation consists of putting in drainage and heating as well as electricity installation, relaying floors, tiling walls and insulating walls for refrigeration installation. 	See Appendix A to letter
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The Appendix A was as follows:-

APPENDIX A

CAGCO DEVELOPMENTS LIMITED SCHEDULE OF BUILDING PROJECTS - PHASE I

	AREA Sq. Ft.	ESTIMATES COST (Incl. Professional Scale Fees).
Project 8 - Partly constructed factory	13,175	£ 25,450
8 - Completion and adaptation		75,990
9 - Partly constructed factory	23,523	43,140
9 - Completion and adaptation		100,575
10 - Partly constructed factory	22,490	51,340
10 - Completion and adaptation		89,285
11B - Maintenance Workshop	16,800	145,275
11C - Covered Way		14,530
11D - Tarmac Area		66,700
11E - Boiler House and Heating	1,513	27,270
Piggeries - Pig Houses } Milk Houses }	128,260	250,320
Anaerobic Decomposition Unit		400,000
Dwelling Houses	8,000	27,940
Roads and Boundary Walls		84,930
8A - Additional Offices	4,966	21,250
9B - Additional Offices	8,590	61,460
10C - Additional Offices	8,553	
8/9 Link Block between Factories 8 and 9	4,752	11,175
		<u>£ 1,495,610</u>

Note:

Land areas required for Phase I

Queensway Industrial Estate	7.712 acres
Piggeries	29.6 acres
Retained to south of Piggeries	37 acres

Question 7 (ii) Employment estimated to result from this project.

Answer	Labour Force at end of 1st year after completion Men 950, Women 350, Total 1,300.
	Labour Force at end of 2nd year after completion Men 2,100, Women 900, Total 3,000.
	Labour Force at end of 3rd year after completion Men 2,800, Women 1,200, Total 4,000.

Question 8 Do you intend to apply also for assistance under Section 4 of the Local Employment Act 1960?

Answer No.

This document was signed by Roe immediately below the words "To the best of my knowledge and belief the information given in this application is correct".

194. The form of application does not require the amount of the grant sought, to be specified, but in the covering letter addressed to the Secretary of B. O. T. A. C. it is indicated that it would be 25% of the estimated expenditure (i.e. for Phase I 25% of £1,495,610 or approximately £374,000).

195. The letter to the Secretary of B. O. T. A. C. contained amongst others the following statements:

"(a) Our subsidiary Royal Victoria Sausages Ltd. own a factory and out-buildings extending to 24,000 square feet in Hove Sussex. They have also a freshoid shop in Hove and leasehold storage premises in Bournemouth, Herne Bay and Hastings."

"(b) George Sanders aged 55 is responsible for the Group Public Relations and general policy and will be spending the greater part of his time on the Group's affairs."

"Mr. D. H. Lorraine was responsible for setting up Royal Victoria Sausages Limited which is now a valuable subsidiary of the company."

"Certified copies of our subsidiary Company's Balance Sheets and Trading and Profit and Loss Accounts can be supplied if required."

In addition Mr. Frederick B. Cage was described as sales Director.

196. All these papers, both those addressed to the Distribution of Industry (Regional Division) Board of Trade and those addressed to B. O. T. A. C., were in fact sent by Roe to the Distribution of Industry (Regional Division) Horse Guards Avenue, London, S.W.1. and were not sent to B. O. T. A. C. until the 29th October 1963. Once having reached B. O. T. A. C. however there was no delay in dealing with the application and on the 31st October 1963 Roe was asked by telephone message for the certified accounts of R. V. S. which he had said could be supplied, if required.

197. It was not, however, until 29th January, 1964, at a meeting at the office of the

Distribution of Industry Department, that Roe produced accounts which were duly forwarded to B. O. T. A. C. on 30th January, 1964. On that day B. O. T. A. C. instructed its accountants to investigate the application.

198. The profit and loss accounts produced were those of R. V. S. made up for a period of 14 months from 1st February, 1960, to 30th April, 1961, and for the year to 30th April, 1962, together with the balance sheets at the two latter dates. We have compared these accounts and balance sheets with the originals bearing the reports of the auditors - Messrs. Walpole Harding & Co. - dated 31st October 1961 and 27th August 1963 respectively and we found that there are certain differences between them, as follows:

- (a) (i) The Profit and Loss Account for the 14 months period to 30th April, 1961, as submitted to B. O. T. A. C. shows a profit of £7,905 and after minor appropriations of profit, a balance on profit and loss account of £7,004 which is carried to the balance sheet.
- (ii) The accounts in the possession of R. V. S. show a profit of £7,905, but deduct charges of £3,234 (including Director's remuneration of £2,625) reducing the balance to £4,671, which is carried to the balance sheet.
- (b) The balance sheet at 30th April, 1961, as submitted to B. O. T. A. C. shows a total of £16,197 due to sundry creditors - whilst the copy in R. V. S.'s possession shows £18,513 the difference mainly representing the director's remuneration charged in the one account and not in the other (See (a) (i) and (ii) above).
- (c) (i) The balance sheets at the 30th April 1961 and 1962 in the possession of R. V. S. have attached or appended to them reports by the auditors. The first report, that upon the balance sheet at 30th April, 1961, dated 31st October 1961 carries no reservation by the auditors. The second report, upon the balance sheet at 30th April, 1962, dated 27th August 1963 carries significant reservations as to the adequacy and reliability of the accounting records of R. V. S.
- (ii) Neither of the two balance sheets as submitted to B. O. T. A. C. carry any reference to an auditor's report, nor is a copy thereof attached or appended thereto.

199. We drew Roe's attention to the apparent omission of the auditors' report from these two balance sheets but he could offer no suggestion to account for their absence.

200. Further accounts were submitted to B. O. T. A. C. at the request of the investigating accountant as follows:

(a) R.V.S.

- (i) Draft Trading and Profit and Loss Account and Balance Sheet made up to 30th April 1963. (Document 17 in the Schedule of Documents).
- (ii) Estimated trading results to 30th April, 1964. (Contained in letter of 5th June 1964 Doc. 8).

(b) Developments

Balance Sheet and Profit and Loss Account made up to 29th February, 1964 and marked "provisional". (Submitted on 17th April 1964) (Document 18 in the Schedule of Documents).

(c) Building

Balance Sheet and Profit and Loss Account made up to 28th February, 1964 and marked "provisional". (Submitted on 17th April 1964) (Document 19 in the Schedule of Documents).

201. There are features in all these accounts which, in the context of their submission in support of the application for a grant by the Board of Trade, seem to us to merit comment.

(A) R.V.S

Accounts to 30th April, 1963

- (i) These accounts were prepared at Glenrothes by or under the supervision of Mr. James McKee, C.A., (hereinafter called McKee) to whom reference is made later in this report. They show an apparent profit of £1,374 for the year to 30th April 1963. In arriving at this profit charges are reflected which were, apparently, made by R. V. S. to Developments of £7,500 and to V. W. M. of £1,200 described as "administration charges". It should be noted that of these charges (a) the latter, that to V. W. M. was charged to a company which was without profit out of which this charge

could be met, and without funds. (b) the former charge, that to Developments, does not appear in the accounts of Developments to which reference is made hereunder (paragraph 201 B iv).

- (ii) But for these two deductions from the overhead expenditure of R. V. S., the account would have shown a loss of the order of £7,500.
- (iii) The matter is, however, not to be left there. The stock at 1st May, 1962, is stated in the account at £21,342 while the stock at 30th April, 1963, is at no less a figure than £93,745. We have referred in paragraph 124 of this report to certain short-term accounts circulated to the shareholders of R. V. S. by Roe, covering the period from 1st June 1962 to 31st July 1963. In that covering the period from 3rd April to 7th June 1963 the opening stock is stated at £53,120 and the closing stock at £43,120 and at no time in any of these short-term accounts is the stock stated at a figure as high as £93,000. Witnesses have expressed the opinion to us that the whole storage then available to R. V. S. would not have held stock of that value. Loraine offered the explanation that it was at this time that very large quantities of meat had been returned by Smedleys (see paragraph 137 above) and that accordingly R. V. S. had stocks of unusually high value in its possession. It will have been noted that the evidence of the witness from Smedleys, was to the effect that the total quantities of meat returned were of the order of some £5,100. This explanation of the high stock value appearing in these accounts does not appear to be correct and it is our considered opinion that this value was deliberately overstated.
- (iv) Roe, in giving evidence before us, was questioned upon these accounts. He agreed that the recoveries of "administrative charges" mentioned under (i) above should not have been taken to credit in these accounts. He said that he had, himself, queried the stock valuation at 30th April, 1963, but could offer no further comment in justification of the figure or otherwise. His own copy of the account, as sent to him by McKee, bears some pencil marks which may confirm his evidence but are not, in any way, conclusive upon the point.
- (v) It should also be noted in this connection that these provisional accounts to 30th April 1963 showed a profit of £2,105 (ignoring a charge of £731 described as "loss on sales of vehicles") and the estimated trading results for the year ended 30th April 1964 were reported to the Board of Trade accountants as a profit of £6,047 - making a total profit of £8,152 for the two years. Final accounts have been submitted to us for the period from 1st May, 1962, until the date of the appointment of a receiver of R. V. S. on 11th November, 1964, showing a trading loss over the period of £501,232. In the light of these final figures, it seems inescapable to conclude that neither the so-called provisional accounts for the year to 30th April, 1963, nor the estimated figures for the year to 30th April, 1964, could bear any relation to the truth.

(B) Developments

Accounts to 29th February, 1964

These accounts do not appear to have been audited, and were typed in Roe's office in Lausanne. They certainly do not in form resemble the accounts of R. V. S. above mentioned which were prepared at Glenrothes. A number of points arise upon these accounts as follows:-

- (i) The issued capital is shown as "2 shares of £1 each fully paid". We have referred in paragraph 128 hereof to the information available to us as to the issued capital of Developments and its subscription.
- (ii) A balance is shown as due to associated companies of £71,171 to which we shall have occasion to refer hereunder (Paragraph 201 C (v)(e)) in dealing with the balance sheet of Building at 28th February, 1964.
- (iii) The freehold properties appear in this balance sheet as at cost and include the Partridge Green factory at £40,000 and Boleskine Inverness at £35,000. So far as we have been able to ascertain the property at Boleskine was purchased by Loraine out of money which was obtained from R. V. S. We have evidence before us that its title has at no time been vested in Developments. Our information in the form of a letter dated the 26th April 1965 from Messrs. Duncan and Duncan the solicitors who acted for the purchaser is that the title to Boleskine House was and is vested in Loraine. This letter is Document 6 in the Schedule of Documents annexed hereto.

(iv) The profit and loss account shows five items of expenditure as follows:

	£
Travelling expenses	8,509
Professional fees and expenses	7,225
Administration salaries and wages	4,739
Printing and stationery	574
Sundry expenses	81
	<hr/>
	£ 22,128

(N. B. The totals appearing in the account as £22,198 appears to be miscast).

No single one of these headings would be capable of including without material misdescription, the administration charge of £7,500 credited in the accounts of R. V. S. at 30th April, 1963, as charged to Developments.

(C) Building

Accounts for Period from 1st May, 1963, to 28th February, 1964

(Document 19).

The following points in these accounts also merit comment.

- (i) As in the case of Developments, reference is made in this balance sheet to a parent company. Building was at that time like Developments, not in the ownership of any other company, and such shares as it had in issue were held, apparently beneficially, in the names of individuals.
- (ii) Plant stands in this balance sheet at a cost of £97,845. Witnesses have assured us that in fact no plant of such value was ever owned by the company. We shall comment below upon certain other points arising upon this item.
- (iii) The balance due by associated companies is shown at £204,864. We comment below upon this item also.
- (iv) Under current assets appears an item of work in progress of £155,232 and a further item of sundry debtors of £40,405. We questioned McKee closely upon these items and he informed us that the figure of £155,232 would in his view not be excessive to cover work in progress and retentions in the hands of the Development Corporation. He was, however, unable to explain what could be contained in the item of sundry debtors, of £40,405, and appeared to agree with us that the only item which could be so included would be retentions which he thought had already been taken into account in the figure of work-in-progress.
- (v) In view of these items to which we have referred above, and the apparent doubt as to the profit shown by these accounts, we were at some pains to seek information as to their origins and genesis. The accounts submitted to B. O. T. A. C. are in the same form as those for Developments (See 201 B above) and were typed in Roe's office in Lausanne. We were furnished by Roe, however, with a further copy of the accounts drawn in form similar to that of the R. V. S. accounts (See 201 (A) (i) above) originating from the Glenrothes office of Building, and prepared under the control of McKee, which differed in certain significant aspects from the copy of the account submitted to B. O. T. A. C., and to which our comments above have been directed. The differences are particularly significant and we therefore attach, as Document 20 in the schedule of documents appended hereto, a copy of the "Glenrothes" draft account. Attention is drawn to the following points:-
 - (a) The profit and loss account balance in the balance sheet submitted to B. O. T. A. C. is shown as £117,115 whilst in the original accounts produced to us by Roe as prepared at Glenrothes, the balance is only £17,115.
 - (b) The item of Plant appears in the original balance sheet at a net value of only £4,579 and not £94,579.
 - (c) The item of Associated Companies appears in the Glenrothes draft at £294,864 and not £204,864, precisely offsetting the amendment in the net value placed upon the plant.

- (d) The item of work in progress appears in the Glenrothes draft at £55,232 and not £155,232, and precisely reflects the adjustment which increases the profit and loss account balance as indicated in sub-paragraph (a) above.
- (e) The amount shown in the Glenrothes draft under the heading "Associated Companies" as due to Building is sub-divided over those companies, the amount due by Developments appearing as £181,171 and exceeding by £90,000 the amount shown in the balance sheet of Developments as "Due to Associated Companies" (See 201 (B) (ii) above), which, as noted in sub-paragraph (c) above precisely offsets the amendment in the amount at which plant is stated in that balance sheet.
- (f) In view of the discrepancy between these accounts we also enquired from Loraine for his copy of the drafts. Those he and McKee produced to us in Rome showed the adjustment of work-in-progress by £100,000 only partly made. We were not able to obtain any explanation for this somewhat peculiar form of account, which on the face of it did not balance. We are satisfied that it was in fact prepared in Rome and probably after we had asked for the draft. We attach as Document 21 in the Schedule of Documents a copy of Loraine's draft of these accounts.
- (g) We also questioned Roe upon the matter when he was recalled on 15th June, 1965 and he has since written us a letter dated 28th June, 1965, in which he offers the following comments:-

Cadco Building Company Ltd. Provisional Accounts at 26th February, 1964. You queried the change in the figure of work in progress from £55,000 to £155,000. I am informed by Mr. Loraine that when Mr. Beaton and Mr. Gentles visited Rome with Mr. McKee, this matter was discussed fully, and it was agreed that the higher figure was the correct figure and represented the work in progress at that time. I have not so far been able to obtain any information regarding the figures of sundry debtors, but I am still trying to do so.

This statement does not accord at all with the evidence of Mr. John Gentles, the senior partner of James Gentles & Son, the quantity surveyors appointed to measure and certify for payment by the Development Corporation, the work performed by Building, from whose oral evidence we quote as follows:

- Q. It may surprise you to know that at one stage the building owner, anxious to show a profit where perhaps a loss would have been more accurate, showed in an account that there was work in progress unmeasured and unpaid of £155,000. A. No.
- Q. We pressed a witness yesterday very hard as to whether or not that was an entirely fictitious figure and he said that in his opinion to say at the 26th February, 1964, pretty well a year ago, - to show in an account £155,000 owing to the building owner, it was a reasonable figure provided one included the retention. What is your comment as to that? A. That, in my opinion, is not true. It may be inaccurate and it will be disclosed by the final account. I would be sorry to think that we held all that money back. I do not think that is true. We had constant allegations right from December 1962 forward from Mr. McKee, actually, and Mr. Beaton, the eventual architect, that we were paying them short. The fact that we were paying them fortnightly, of course, was a tremendous effort on our part. It meant that we had hardly time to measure. We had three men on the job all this time. When you get complaints like that you just do not laugh at them. We took great steps to make sure that they were being paid up to date and measured accurately and full volume payment. We had a lot of worry then and I had a lot of personal worry. I was quite convinced that my assistants were working properly. These allegations of under-payments became futile. You must remember that their method of assessing their own value of work was to take the amount they had expended in wages, to take the amount they had expended in materials and to add a hypothetical profit. They always thought the more money they spent the more money they would make. I was always presented with the amount that was spent in wages, the amount we spent in materials, plus this hypothetical profit we ought to make in the building industry, sometimes as high as 25%; "that gives you £X and you have only paid us this amount of pounds based on your measured work at those rates, therefore we are short of £150,000". It was a futile as that. They were paying vast sums in overtime; they were paying over the normal rates. I am quite sure that this £150,000 is utter nonsense.

In reply to our further written enquiry Mr. Gentles wrote to us, in a letter dated 16th June, 1965, upon this point as follows:-

"With certificates issued fortnightly (as in this case) we would expect Cadco to have 2 weeks work in the pipeline, i.e. at Feb. 64 this would amount to £35,000 or thereby and may have been more, as so valuation is made of certain work which is only partially completed - e.g.:

- (a) Plaster, External Rendering and Painter Works, which are done in 2 or more coats but are not valued until the finishing coats are applied.
- (b) All wall, floor and ceiling finishes, which have preparatory or base coats or methods of fixing which are not valued until surfacing is complete.

You can take it, therefore, that the extent to which amounts due but not certified to Cadco over the period of the Contract would properly and consistently be:

- (a) In the case of fortnightly instalments - one half of the amount of the next certificate.
- (b) In the case of monthly instalments - the amount of the next certificate.

The amount certified by James Gentles & Son in the month of March, 1964, was £88,197 of which upon the basis of Mr. Gentles' letter one half would have been completed at 28th February, 1964.

202. Despite many researches made at our request by the Liquidator of Building, and enquiries of the accountants engaged under McKee at Glenrothes in the preparation of these accounts, we have been unable to trace any working papers. The accountants, Mr. John Cameron Braidwood, C. A., and Mr. Archibald Mitchell Laing, A. C. W. A., told us in evidence that the first draft accounts of Building which they prepared, had shown a loss of at least tens of thousands, the figure given by one of them being £70,000. In their opinion, the accounts as prepared by them were thereafter amended and altered, and it seems to us clear that amendments and alterations were made first to the accounts before despatch to Roe in Lausanne, and thereafter by Roe himself or under his direction. It is our considered view that the manipulation in Glenrothes was carried out by McKee and he may or may not have been concerned in the further alterations made by Roe. We record our convinced opinion that these manipulations were made to deceive B. O. T. A. C. and the accountants of the Board of Trade, as to the merits of the application for a building grant and that the accounts were submitted to B. O. T. A. C. in the knowledge of McKee and Roe that they were deceitful, deceptive and false.

203. In submitting these accounts to B. O. T. A. C. two letters were written, one of 17th April, 1964, and one of 5th June, 1964 by Roe addressed to Mr. W. J. Godfrey, of the Accountants Division of the Board of Trade. There were numerous statements in these letters to which attention should be drawn and accordingly copies of them as documents 7 and 8 are included in the schedule of documents annexed hereto. We refer first to points arising on the letter of the 17th April, 1964 (Document 7).

204. Developments (Heading 1(a) of the letter)

(i) Developments is recorded as having purchased the freehold of R. V. S. for "the sum of £39,000 which is now valued at £68,000".

(ii) Developments has "financed the purchase of Boleskine near Inverness which is to be used as a farrowing unit and is valued at £47,000". The balance sheet of Developments at 29th February, 1964, shows Boleskine at £35,000 and we have no evidence in justification for an increase in its value between these two dates.

205. Building (Heading 1(b) of the letter)

(i) Building "has an authorised and issued capital of £100, 98% of which is held by Cadco Investment Co. N. V." The issued capital of Building never at any time exceeded £2.

(ii) Building "was formed to carry out all building activities ... and has plant and equipment worth £120,000". It will be noted above (paragraph 201 (c)(v)(h)) that in the first draft accounts of the company its plant and equipment was shown at £4,000 and its total fixed assets at £30,000. The figure of £120,000 quoted appears to include the "adjustment" of £90,000 made in these accounts. See paragraph 201 (c)(ii).

(iii) "An agreement has been negotiated with William L. Crow Construction Co. of New York ... the Crow Construction Co. supplying cash or guarantees for upwards of \$6,000,000". No such agreement was ever negotiated. Discussions appear to have taken place but to have reached no conclusion as the William L. Crow Construction Co. was not ready to venture such large sums in dealing with the Cadco Group.

206. Cadco Livestock Ltd. (Heading 1(c) of the letter)

(i) "This company has an authorised and issued capital of £100, 98% of which is held by Cadco Investment Co. N. V." The issued capital of this company at no time exceeded £2.

(ii) "The Company had been formed to operate the farrowing unit at Inverness ... It has equipped its pig unit near Inverness ..." So far as we are able to ascertain the pig unit at Inverness is that at Boleskine which was purchased in the name of Loraine, and was operated by Mrs. Mollie Loraine and Mr. Johnson. We have no evidence that Cadco Livestock Limited at any time had any interest in the business at Boleskine which was indeed carried on in the name of Lochness Foods Limited, which very shortly after the date of this letter, was put into voluntary liquidation.

207. Proposals for Financing (Heading 5 of the letter)

(i) Investment (referred to in the letter as the Parent Company) is stated as proposing to finance

(a) 5% of the cost of land and buildings

(b) Such part of the plant and machinery as is not financed by Hire Purchase Agreements

(c) Such part of the working capital requirements as would not be covered by I. F. L. together with normal banking facilities.

The entire resources, other than its holding in Paraglas (Ireland) Ltd. of Investment were already committed and largely lost in the R. V. S. /Cadco venture (see paragraphs 103 to 107 hereof).

(ii) "The Royal Bank of Scotland has at present fixed a limit of £360,000 on the Building Company's account which is fully secured by Parent Company and other guarantees. You can accept this letter as from the Parent Company confirming its

willingness to make finance available." The Royal Bank had in fact fixed an overdraft limit on the condition that the funds would be used solely as bridging finance for the building contract. There was no arrangement under which this overdraft would have continued beyond the completion of the building, and indeed undertakings had been given by Roe to the Royal Bank for its repayment during the year then current. Roe had further informed the Royal Bank that its assistance for the provision of working capital would not be required.

208. We refer next to points arising on the letter of the 8th June 1964. (Document 8).

209. Investments (Heading 1 of the letter)

(i) A list of holdings of Investments included 97 shares each in Developments, Building, Cadco Electrics Limited, Cadco Haulage Limited and Cadco Livestock Limited, 95 shares in V. W. M. and 98 shares in Cadco Engineering Limited. None of these companies had at any time an issued capital of more than £2.

(ii) A further investment is shown of 5,000 Paraglas (Ireland) £1 Ordinary shares 10% paid up at a value of \$1,411-63. We have already commented on this investment in paragraphs 103 to 107 hereof.

210. Building (Heading 1(b) of the letter)

Reference again is made to discussions with Mr. Ralph Crow of the William L. Crow Construction Co. which at this later date appear now to suggest that an interest had been expressed in a joint venture, but no agreement had been made as was stated in the letter of 17th April 1964.

211. R.V.S. (Heading 6 of the letter)

(i) The trading results of R.V.S. for the year to 30th April, 1964, are stated as showing a net profit of £8,047. We have commented in paragraph 201 (A)(v) hereof as to the correctness of this estimate.

(ii) "The Bank loan which we put in as an absolute maximum of £350,000 would be covered by guarantees, and would probably be considered as a continuing facility. In effect the Bank loan will probably cover the working capital requirements and the plant and machinery requirements will be covered by the parent Company who will not be expecting to be repaid during the first year." Here again no reference is made to the bank loan having been granted solely for building purposes, and it is assumed that this loan would be a continuing facility, to provide working capital - for which Roe had told the Royal Bank that its assistance would not be required.

212. The Capital of R.V.S. (Heading 7 in the letter)

(i) "The capital of Royal Victoria Sausages was increased to £1,200 on 30th August, 1962, and 43,500 9% Redeemable Preference Shares on 30th August 1962. These transactions were carried out by adjustment of Loan Accounts and did not appear in the financial records available to Mr. McKee." The words from "did not appear" down to "Mr. McKee" are deleted from the letter and replaced by "the conversion of Debentures into Redeemable Preference shares." It is of note that in the accounts to April 1963 submitted in 1964, the capital of R.V.S. continued to be stated at £1,000 in ordinary shares and £43,500 in 9% debentures, and not in preference shares.

213. We feel that we have drawn attention to a sufficient number of points arising in these two letters, and in the application as a whole to the Board of Trade, to indicate that even if it be accepted that some items might be excused on the grounds of irresponsibility or anticipation of actions which could have but had not been taken, the majority of the points are susceptible of no such excuse and can only be regarded as made wilfully, knowing them to be false and with intent to deceive and in order to secure monetary advantage in the shape of a building grant of £374,000.

214. It is satisfactory to record that Mr. John Stanley Sutcliffe, F.C.A., the Investigator for the Accountants' Division Board of Trade concluded his report dated the 15th June 1964 to the Secretary of B.O.T.A.C. in the following terms:

"The existing funds of the various companies concerned with the project are small and insufficient to meet the promoter's share of the cost; additionally we have only Mr. Roe's assurance that the shareholders will provide the necessary funds and we are not in a position to check their ability to do so. Because of the size of the project, the apparent lack of expertise and previous experience and the heavy reliance on loan capital we have doubts about the viability of the project and in particular, the ability of the applicant company to discharge its obligation under the long term agreement with the Development Corporation for the payment of the capital cost of the buildings and the interest on the amount outstanding".

215. This report was considered on the 6th July 1964 by a sub-committee of B.O.T.A.C. which was not prepared to make a recommendation and referred the case to the full committee, which considered it on the 8th July 1964. The full committee did not think it had had sufficient time to reach a decision and it was agreed that each member should take his copy of the papers away with him and express his written opinion to the Secretary. This they did and after their opinions had been sent to the Secretary they were passed to the Chairman who called a meeting of the full committee for the 22nd July 1964 at which the application was formally rejected.

216. Having in paragraphs 192 to 215 hereof dealt with the application to the Board of Trade through to July 1964, we have run ahead of the story, and performance referred to people whom and subjects which we have not mentioned so far in this report. We note therefore that later in this report we will refer to and explain the parts played by McKee, who became Group Accountant on the 15th July 1963; the Marquess of Linlithgow who became a Director of Developments and Managing Director of Cadco Livestock Company and who was stated by Roe to have been appointed "to take day to day charge of finance" (see Document 7) and as having an option to purchase 7% of the shares of Investment. We shall also refer to the Group's operations in Italy of which B. O. T. A. C. was told in Roe's letter of the 17th April 1964. (See Document 7).

"The Group is installing in South Italy factories for the processing of 200,000 tons of fruit and vegetables per year by the A. F. D. process, which, allied with the meat processing in Scotland, will enable the Group to meet its catering contracts entirely"

and that

"The project in Italy is in conjunction with the Italian Government agency the Cassa del Mezzo Giorno".

These matters will be dealt with in due course, but in the first place we turn to the history of the development of the Group's overdraft facilities which stood in May 1963 at an initial limit of £20,000 repayable in five weeks (see paragraph 170 hereof).

The Royal Bank

217. On the 2nd July 1963 following a request for further finance an overdraft of £40,000, again guaranteed by Roe, Sanders and Loraine was authorised, again expressly for construction of factories at Glenrothes pending receipt of payments from the Development Corporation. The Swiss Credit Bank had meanwhile told the Royal Bank that Roe and Sanders were known to them, that they did not think either would assume liabilities exceeding their financial means and that Mrs. Sanders was a lady of very substantial means.

218. A request from Roe to increase the facility to £100,000, resulted in Mr. Walter Robert Ballantyne, the General Manager of the Royal Bank, writing on the 18th July 1963 to Roe:

"... The request for an increase in the limit to £100,000 coming so soon after the recent increase to £40,000 which in itself came fairly soon after the original request for a limit of £20,000 created some surprise and has given at least some members of my Board a feeling that initially insufficient consideration had been given to the extent to which facilities would be required to bridge the gap between the time of the expenditure of the money and its recovery from the Glenrothes Development Corporation or that something had seriously gone wrong with the original estimates.

"I explained the situation to them from the information you gave us at our recent meeting and told them that, in now setting the limit at £100,000 you had allowed a generous margin for contingencies which you did not expect to arise and that the need for the higher limit arose primarily from the fact that holidays might occasion some delay in the certification of the work done and to the administrative arrangements in the Glenrothes Development Corporation for making payments against Certificates.

"I think that my Directors accepted this situation as explained to them but they also commented on the fact that, as yet, no clear indication has been given to the Bank of the financial aspects of the operations to be conducted within the factories once they are erected and equipped with the refrigeration and other plant ...

"I have in the meantime authorised Mr. Loraine to overdraw on the account ... to keep things moving ...

"In the course of my discussion with my Directors I told them that both Mr. and Mrs. Sanders were interested financially in the venture and the suggestion was put to me that I should have asked for Mrs. Sanders to be made one of the Guarantors as well as her husband. Would she be agreeable to this? ..."

219. Roe replied to Mr. Ballantyne as follows:

"... I do not think it is quite fair to say that the request for the £100,000 has come quickly after the request for the £40,000. You will recall that at our various discussions, we have made it clear that our requirements would be considerable and that we were in some difficulty in assessing them fully in view of (a) the fact that we were awaiting detailed estimates and specifications from the various Architects and (b) the difficulty in assessing the speed with which Glenrothes would make the payments on account of work done and materials. At our meeting of the 20th June you will remember that we said then that we would like facilities for £100,000 and you very kindly granted us £40,000 at once and it was left that you would consult your Board on our request for a limit of £100,000 and we fixed our meeting for the 10th July at which you were to let us know your Board's decision. We certainly understood at our meeting on the 10th July that the advance of £100,000 had been agreed by your Board and after our meeting, we stepped up the work on the basis that these extra facilities would enable us to cover the holiday period and the time before which we could expect substantial payments from Glenrothes. I am sorry if there was a misunderstanding over this and I hope you will make it clear to the Board that we were not, in fact, altering our request ...

"I enclose with this letter a complete schedule of works ... I cannot yet enclose a schedule of the machinery and equipment that is being ordered for the various factories as Mr. Loraine is now visiting various countries placing the orders, but this will cost in the region of £3m. Application is being made at once to the Board of Trade for grants and loans ...

"I enclose the guarantee signed by Mr. George Sanders. Mr. and Mrs. Sanders got back to Laurence on Sunday and I had a long discussion with them yesterday. Whilst they have been away, they had agreed amongst themselves that Mr. Sanders, who now intends to devote the bulk of his time to the whole project, should acquire from Mrs. Sanders virtually the whole of her holding in the Group. This does not mean that Mrs. Sanders has lost either faith or interest in the project

and this is entirely a family arrangement. Hence it is not really possible to ask Mrs. Sanders to sign the guarantee ... I would like to draw your attention to the fact that Cadco Developments Limited is depositing the Title Deeds of the Partridge Green property with you ... Our requirement of the £100,000 should therefore be a temporary matter ..."

220. On the 31st July 1963 the £100,000 facility was authorised on the clear and repeated understanding that the money was to be used solely as bridging finance in connection with the erection of factories at Glenrothes by Building pending reimbursement of the expenditure, by the Development Corporation.

221. On the 14th September 1963 Roe wrote to the Royal Bank:

"... For your personal information, we are having discussions with the Marquess of Linlithgow, who is a friend of the Sanders and myself and he has expressed willingness, on certain conditions which I think we can meet, to become a Managing Director of the Group in Great Britain with special reference to finance and taking care of the Company's meat purchases. He believes that he can be of great use to us in Scotland and I am sure you will agree with this. It would also mean that there is an experienced Financial Director in Scotland, which will, of course, make my task considerably easier".

222. He followed this up on the 16th October 1963 with a Telex message.

"... I was with him (Lorraine) on Monday to see Minister for Development of South Italy regarding setting up production units for processing fruit and vegetables to ensure our full requirements for meeting all school and hospital contracts. Government (Italian) have agreed to give this matter highest priority as it is very much in accord their policy for South Italy and every effort is to be made to get the units into production by the Spring, which means our architects and part building company being in Italy for winter months ... This Friday payment will be for £11,975 but this leaves some £160,000 of work done and materials on site not yet progressed and will be progressed over next two or three weeks. Very important that we pay all sub contractors promptly even though we (are) not paid and would be grateful if you could increase temporarily to bridge this gap and our facilities by an additional £40,000 this week. Schedule of weekly payments now agreed with Corporation for each site between now and end December covering approximately £90,000 and once first large payment is made, which will be next week, position will ease progressively ... Have conferred with Linlithgow who joins us 1st November and will take over on spot responsibility finance from me as soon as he gets reins in his hands".

223. Mr. Ballantyne was not prepared to sanction the latest increase or put the request before his Board until he had seen Roe. This meeting, at which Lorraine was also present, took place on the 4th November 1963. At this meeting the Royal Bank was told that 25% of the purchase price of the factories and piggeries would be provided by the Board of Trade building grant and it was agreed that a copy of the formal notification from the Board of Trade, stating that the application for grants had been approved by the Ministry and the Board of Trade, would be sent to the Head Office of the Royal Bank. Roe told the Royal Bank that the estimated profit accruing to Building at the termination of its building activities in Glenrothes would be in the region of £200,000 - less tax ... The Glenrothes Branch Manager of the Royal Bank expressed concern that large cheques were being drawn on Building's account made payable to Developments and was told that Developments had supplied a large part of the finances initially to get Building going ... Roe then told the Royal Bank that 4 new companies had been incorporated to take over the production side of the business - Royal Victoria Meat Producing Co. Limited; Cadco Wholesale Meats Limited; Cadco Livestock Co. Limited and Superfine Foods Limited. Roe told the Royal Bank that he did not think its assistance would be required for working capital. He said that R. V. S. was working profitably, but was unable to cope with expanding orders, which were some four months behind. He said that Lord Linlithgow was at that time definitely associated with the Cadco companies and would become a director in due course with special interests in Cadco Livestock Co. Limited, Cadco Wholesale Meats Limited, and Developments.

224. On the same day as the meeting he wrote to Mr. Ballantyne a letter which included the following:

"I confirm also that Lord Linlithgow has been offered and has accepted a share of 7% in the equity of the Investment Company and I also confirm that Mr. Lorraine has a substantial equity share in the Investment Company and should you require any endorsement of guarantees on behalf of the Investment Company, I as Chairman of the Investment Company, would be happy to give you such endorsement ...

"As I understand it, you would like to feel that any major transfers had my personal approval ... Where there is no urgency I can, of course, sign cheques, but many of the transfers will be Bank to Bank transfers and I suggest that I supply Mr. Hutchison (the Bank Manager at the Glenrothes Branch) direct with code identifications so that if I telex Glenrothes with my instructions this can be handed to Mr. Hutchison who will be able to check the identification, which will only be known to him and me. When Lord Linlithgow has more familiarity with the company's operations he will greatly be able to substitute for me and I suggest that this procedure should effect all transfers of over £4,000 ...

"I will also send you, as soon as it is received a photo copy of the Formal Notification from the Board of Trade stating that our application for grants has been approved by the Ministry and the Board of Trade. In the meantime I should be grateful that you would accept my assurance that such agreement in principle has been granted and if you would like to check this you can contact Mr. Ian Gray of the Board of Trade, Trafalgar 8855, Ext. 1304.

"I confirm that the Group has no intention at present of requesting working capital facilities from the Bank and that these requests from the Bank are limited to the request for raising the facilities on the Cadco Building Company account from £100,000 to £200,000 ... this increased facility is required to enable us to keep pace with the accelerated rate of building and to close the gap between work being done and its inclusion in progress certificates and the eventual payment by the Glenrothes Development Corporation ... We're most anxious not to lose the great momentum we have already obtained in our building programme."

225. On the 7th November 1963 Roe wrote again to Mr. Ballantyne having procured a £20,000 guarantee from Lord Linlithgow.

"... I also spoke to Lord Linlithgow last night and he will be signing the guarantee and returning it to Mr. Dawson (the Royal Bank's assistant superintendent of Branches) today ... Mr. McKee, the group accountant will let you have a copy of the Board of Trade letter of approval, as soon as it is received. It is possible that this has been sent to me in Switzerland in which case I will send you a photo copy.

"I had a very satisfactory visit to Glenrothes and am most impressed with the progress that is being made on the buildings ...

"When I saw Mr. Hutchison (Branch Bank Manager at Glenrothes) I asked him to specify what he meant when he said that the operations in Glenrothes were on a "square no expense" and rather extravagant basis and so far as I can gather from him it all boiled down to one bill that had been paid to a photographer for some £600, which he thought was for photographs. It is a pity that before jumping to conclusions, he did not check back with us, as this bill was, in fact, for some very important photographic equipment that was needed for the Architects Department, and for supplying these photographs which played such an important part in our negotiations with the Italian Government. I can assure you that all expenditure is most carefully watched at Glenrothes and as I told you, Mr. Lorraine himself is living in some considerable discomfort in a caravan on the site."

226. On the 12th November 1963 Roe enclosed a letter from the Board of Trade dated the 8th November 1963. The letter of the 8th November did no more than convey to Developments that the project was eligible for consideration for a building grant, and asked Developments to supply more information. Roe told the Royal Bank that the additional information asked for by the Board of Trade was being supplied to them "straight away". In fact the Board of Trade (i.e. B.O.T.A.C.) did not obtain all the information it needed until the middle of June 1964.

227. Mr. Ballantyne did speak to Mr. Ian Gray, who told him, that though the Board of Trade had made no commitment of any kind, Phase I of the development was agreed to in principle. We think that Mr. Ian Gray's statement was strictly accurate, but that the Royal Bank, understandably, read into it more than was intended. Mr. Gray knew the workings of the Board of Trade with regard to considerations of applications for grant, whereas the Royal Bank did not. "Agreed in principle" to Mr. Gray meant less than the Royal Bank thought that it did. It meant that there was nothing in the applicant's situation which put a grant beyond his reach but it did not mean that he had or necessarily would satisfy the investigation *inter alia* of viability which B.O.T.A.C. would make. Be that as it may, on the following day the 18th November 1963 facilities were extended to £200,000. Again the Royal Bank made it absolutely clear that it was to bridge the gap between the execution of building works at Glenrothes and the receipt of payment therefrom from the Development Corporation on condition that Roe, Sanders and Lorraine provided joint and several guarantees for £100,000, that Lord Linlithgow, who had played no part whatever in obtaining the overdraft, gave a guarantee for £20,000 and Investment gave an unlimited guarantee for all the sums due to the Royal Bank. When the increase was authorised the Royal Bank wrote:

"It must be regarded as a part of the agreement between the Group and the Bank that the facilities will not be used for any other purpose than to finance the building work at Glenrothes."

228. On the 20th February 1964 Roe stated at a meeting with Mr. Ballantyne and Mr. Dawson that the turnover of R.V.S. was in the region of £8,000 to £9,000 a week representing a net profit of £1,000 per week and that the gross profit of R.V.S. for the previous nine months was of the order of £140,000. (We have already dealt with the trading results of R.V.S. in paragraph 201 A hereof. Further comment would be superfluous).

229. Roe stated that the project in Italy was then at the signed and sealed stage and that it was part of the contract that the sum of £4,000,000 be placed at the disposal of Cadco Italiana by a consortium of Banks in Rome, as soon as work began, when a refund would be made to Building and Developments in respect of any outlays and administration expenses made by them in respect of the Italian project.

230. He stated that the liquidation of Lochness Foods Limited was of no direct concern to Cadco, apart from the fact that Developments owned the land at Boleskine. We have dealt with the facts relating to the ownership of Boleskine in paragraph 201 B. above.

231. The object of this meeting was to discuss Roe's request for facilities for a further £80,000. In the result, at that stage, Roe obtained an extra £30,000 making the total by which Building could overdraw £230,000, provided Tipam Investment Co. N.V. and Pamit Investment Etablissement each provided guarantees of £30,000.

232. In March 1964 Mr. Ballantyne obtained from McKee an estimate of the amount which the Development Corporation would be paying to Building between the 14th March and the 8th June 1964, in the sum of £839,000. About this estimate Roe wrote to Mr. Ballantyne on the 6th March that McKee's figures had been carefully checked with Cadco's professional advisers. On the strength of these figures the Royal Bank agreed to lend a further £50,000 as and when guarantees were forthcoming, bringing the total facilities to £280,000.

233. It was in March 1964 that a Mrs. Margaret Mary Elliott (hereinafter called Mrs. Elliott and to whom we refer at greater length in paragraphs 298 to 314 hereof) was approached by Lorraine and gave the Royal Bank an initial guarantee for £100,000,

on the strength of which, the facilities were increased to a total of £360,000. By May 1964 Mrs. Elliott had been induced to give a further guarantee for £100,000 and Roe immediately asked that the overdraft facilities with the Royal Bank be increased to £460,000. This resulted in a meeting with the Royal Bank on the 8th May 1964, when Building was represented by Roe, Mr. Beaton an Architect and McKee, who among other things had to explain to the Bank why it was, that his estimate of the payments, which the Development Corporation would be making, which he had provided in March 1964, was already by the beginning of May being shown to be hopelessly inaccurate. During the meeting McKee stated (though it was not true) that in addition to the £60,000 to £70,000 which the Royal Bank had earlier been told had been expended on the supply of plant to equip Building as a building Company, £158,000 out of the funds lent by the Royal Bank, had been used for this purpose. McKee claimed, however, that the result of this expenditure had furnished the group with a well equipped building company and that the expenditure represented the building profit, which the Group was making out of Phase I.

234. Once more Roe gave the Royal Bank an assurance that provision had been made for working capital once production started and that the Group was not proposing to rely on the Royal Bank for that. Roe further assured the Royal Bank that the question of the provision of the money which Developments would have to find, for the purchase of land and buildings, when completed, was at that time receiving attention and funds would be forthcoming. At the meeting various documents were handed to the Royal Bank including a copy of the letter to B. O. T. A. C. dated the 17th April 1964 (Document 7 in the schedule of documents). The immediate outcome of this meeting is contained in a strongly worded telex message from Mr. Ballantyne to Roe in Lausanne. It read:

"Reference meeting here Tuesday afternoon, my Directors are extremely concerned that you should have again approached us for an increase in the facilities. They find it difficult to understand why, seeing the overdraft was originally given - and you will remember this was made a condition for the financing of the Glenrothes development only pending the receipt of payments from the Development Corporation - there should be any need for more facilities now. Even with the information given about the purchase of building equipment they cannot understand why there should be so much outstanding at this date. This is an aspect of the matter which has as you know continually worried me and I feel you should make a personal visit to Glenrothes to examine the situation and discuss it with the Development Corporation. We feel that Glenrothes Corporation should be pressed for a substantial payment to account for outstanding sums due. In our opinion there would appear to be no reason why this should be withheld.

"If the additional facilities requested are essential, in the meantime my Directors will reluctantly grant them against all the guarantees at present in force including the new one for a further £100,000 by Mrs. Elliott, rather than see the project brought to a standstill, but they are insisting that Mrs. Elliott's Guarantee be supported by collateral security... Once again may I stress my desire that you should visit Glenrothes and endeavour to straighten out the financial tangle into which the whole business seems to have become enveloped?"

235. Mrs. Elliott supported her guarantees by depositing with the Royal Bank securities to the value of her guarantees and Building got the Royal Bank to permit the overdraft limit to be increased to £460,000 on condition that £260,000 was repaid by the 30th June 1964 and the balance by the 30th September 1964. By the 16th June 1964 Roe was asking the Royal Bank to extend the first repayment date to 31st July 1964 and got their agreement.

(Note: The Royal Bank provided us with a copy of a most helpful chronological record of its dealings with the group and Mr. Ballantyne assured us that the Royal Bank holds all Roe's original letters and telex messages to the Bank).

The Marquess of Linlithgow

236. On the 26th June 1964 Lord Linlithgow saw the Royal Bank and told them the true story regarding his participation in the project, which was very different from that which the Royal Bank had been told by Roe. Lord Linlithgow also told the Royal Bank that, he, like the Royal Bank, had been told that there had been serious undermeasurement by the Quantity Surveyors at Glenrothes which had resulted in the Development Corporation's payments falling materially behind. Lord Linlithgow told the Royal Bank that he had himself tackled the Quantity Surveyors about it, only to discover that the Quantity Surveyors were satisfied that there had been no undermeasurement. He told the Royal Bank why he had consulted Sir Henry Alexander Benson F.C.A. of Messrs. Cooper Brothers & Co. Chartered Accountants; he told the Royal Bank what he knew about both the Glenrothes and the Italian projects and that his knowledge of those projects now led him to suspect that Roe and Loraine had no intention of trading in Scotland; that they had gone to Scotland to get a building profit swollen by a Board of Trade grant and that, their real intention was to get the profit out of the country and leave the whole project in Scotland to its fate.

237. Having mentioned Lord Linlithgow's meeting with the Royal Bank it is, perhaps, appropriate to deal more fully at this point with his connection with the Cadco Group. Lord Linlithgow told us in evidence that he had seen the newspaper reports of the food processing project with which Sanders was concerned, when they came out after the news conference on which we have already reported in paragraphs 171 to 176 hereof. He had a slight acquaintance with Sanders and Mrs. Sanders. In the late spring

of 1963 by coincidence he flew to London from Edinburgh in the same aeroplane as they did. On the flight down Sanders told Lord Linlithgow what it was that had brought him to Scotland, that he might like to interest himself in the same enterprise and that he would put him in touch with those who had the management of the project, when he (Sanders) returned from abroad, whither, he told Lord Linlithgow he was going. Thereafter Lord Linlithgow heard no more until he himself went abroad.

238. At this time Lord Linlithgow's first wife was very seriously ill and her condition was causing him the gravest concern. In July 1963 Lord Linlithgow thought that his wife might benefit from a trip abroad and they happened to select Lausanne as their destination. In Lausanne he met, by chance as far as he was concerned, first Roe and then Sanders and Mrs. Sanders. In Lausanne they told Lord Linlithgow of their plans in Scotland, but made no proposition to him at that time.

239. On his return to the United Kingdom in August 1963 a suggestion was made to Lord Linlithgow that he should take an interest in the project and take over the problem of supplying livestock to the piggeries. When he told them that he was not prepared to have a financial stake in the venture, he was immediately assured that, enormous though the project was, its sponsors had no difficulty over money and that there was plenty of money behind it. He did not disguise his great interest in the venture, which if it came up to the great expectations of its sponsors would be a great boon to that part of Scotland in which his house is situated. He told them that for personal reasons he was unlikely to be able to give much time to the project at once but would think about their proposition. At a meeting, in August 1963 at Lord Linlithgow's home, Hopetoun House, South Queensferry, there were present Roe, Lorraine, Sanders and Mrs. Sanders. Lord Linlithgow at this early stage in his contact with the Group stressed the magnitude of the working capital resources needed for a venture of such a size.

240. Lorraine said he was able to give an assurance that there was plenty of money available for that purpose and mentioned the sum of £500,000 being in Switzerland available for the project. We quote from the transcript of Lord Linlithgow's evidence:

"Q. Was any amount mentioned as money available?

A. Yes, money was no difficulty. Half a million was a figure mentioned.

Q. And it was in Switzerland?

A. It was in Switzerland.

Q. In pounds not dollars?

A. No, pounds and I remember the figure perfectly well because I did not think it was going to be enough, even that, by the time I had heard their plans."

241. Lord Linlithgow told us that before committing himself he asked for certain assurances and to see accounts of investment. He did however join the project before having his requirements fulfilled. We again quote from the transcript of his evidence:-

"Q. Can you tell us how it was that they persuaded you to go in without having fulfilled any of your requirements?

A. I persuaded myself, frankly. I wanted a job. Put it this way: If my wife had not been desperately ill and I had not been desperately anxious to have some job to do while this was going on, I would have delayed and delayed until I had seen the accounts, until I got assurances in writing. In fact it was right up my street, it was a nice job; it interested me and it never struck me that they were anything but completely straight until a bit later on; but once having got in I then did not want to pull out, because I had a sense of duty towards Sanders and his wife, they having asked me to watch their interest and help them and of course I had a sense of loyalty to the Glenrothes Corporation, because, in any event, it was manifestly important to them and it was right on my doorstep, so to speak. That is the truthful answer. Had it not been for those circumstances, my need to have a job to take my mind off things, I certainly would not have done it at that moment, but having got in I thought I must try and get it right."

242. Lord Linlithgow was appointed a Director of Developments and Cadco Livestock Co. Limited at the beginning of November 1963, charged particularly with the task of ensuring that a supply of weaners would be available, when the piggeries were completed and ready to receive them. He immediately tackled this problem and in January 1964 made a report to the Directors on the subject, which also went into the question of machinery and of working capital needed to start production. The almost immediate consequence of his appointment as a Director was his being persuaded by Roe to give a guarantee to the Royal Bank in the sum of £20,000 ostensibly for a short period only and backed by a counter indemnity from Roe.

243. Following his wife's death, Lord Linlithgow decided to go abroad in February 1964 for approximately two months, and return in early April 1964. He had proposed at the time he went abroad that the machinery required should be ordered before his return. On his return, however, he found that nothing had been done particularly towards obtaining the machinery which he had advised must be installed before any production was possible, and which he had been assured would be obtained during his absence. This factor alone gave rise to suspicion in his mind as to the genuineness of the project and its sponsors' real intentions.

244. In addition, however, Lord Linlithgow found that Mr. D. J. Black had been appointed Managing Director of the Scottish project, but had never been told of his, Lord Linlithgow's, appointment. He became aware also of his co-directors continued pursuit of the Italian project, despite their apparent failure to provide working capital

adequate for the Scottish project. These and other matters, coupled with dissatisfaction with the manner in which he had been induced to give his original guarantee to the Royal Bank, led him to consult and later to demand a full investigation by Sir Henry Benson.

245. His suspicions and uneasiness were by no means allayed by subsequent developments and matters which came to his knowledge later, as follows:

- (i) That Roe insisted that instead of Sir Henry Benson making a full investigation into the project for Lord Linlithgow the Group's auditors, Messrs. Lindsay Jamieson and Haldane of 24 St. Andrews Square, Edinburgh, should be instructed to investigate and report and Sir Henry Benson should then advise the Group on the basis of that report. Despite some correspondence between Sir Henry Benson and Roe as to the terms of reference of the Auditors, Messrs. Lindsay Jamieson and Haldane were unable to provide any significant information since, as they reported to Sir Henry Benson, the audits were considerably in arrears owing to the books not being available.
- (ii) Lord Linlithgow had been told again and again by Roe that R. V. S. was making money. By June 1964 Lord Linlithgow was very doubtful about this and at a meeting at Old Burlington Street, London, on the 10th June 1964, he cross-examined Roe about R. V. S. He described this to us in the following words:

"I said to them... 'Are you sure Royal Victoria Sausages is making money?' Roe said 'Yes, I am' I said 'How much is it making?' and he quoted a figure of some £50,000 profit. Then he said 'No, I think it is £30,000'. I said 'Is that a gross or net profit?' Are you actually making money?' 'Well, as a matter of fact, you see, the overheads are a little too big for our turnover and therefore by the time you have got the whole thing worked out I should think it is making a little bit of money breaking about even at the moment'. I said 'Are you sure of this? You are absolutely certain of it, because the whole point of this meeting is that you should say exactly what the position is. We must know'. I said 'Are you absolutely certain' He said 'Yes, absolutely all right'."

Nevertheless at their next meeting, in August 1964, Lord Linlithgow resumed his enquiries, particularly from the point of view that he had become aware that substantial sums of money had been diverted from the Scottish project to R. V. S. which Roe now admitted was so, amounting to some £300,000 and that it had been lost. Lord Linlithgow described the enquiry to us in the following words said to Roe:

"The Royal Bank have got an overdraft for £450,000. I do not know how many creditors you have up there at all, but from what I hear there is a fairly hefty bill for creditors, which you do not appear to be able to pay'. I said, 'To put the thing at its lowest, £500,000: where has it gone?' He looked a bit shy and he said, 'Well, of course, we have underestimated the cost of the buildings; instead of working on a profit margin we have been working on a loss margin; we have been very extravagant'. I said, 'On a building contract of £750,000 to £1,000,000 you cannot tell me that you have been so stupid that you have lost half a million on it. There is a lot of money gone somewhere else. I will tell you where I think it has gone: I think it has gone to Royal Victoria Sausages'."

Q. That is what you said to him?

A. Yes, what I said to Roe. He said, 'Yes, it has, as a matter of fact'. I said, 'What is it - £300,000?' He said, 'Yes, I should think about that'. I said, 'What happened? How did it get there?' Then he made this extraordinary statement and said, 'I suppose you can say we smuggled it.'"

Q. "We smuggled it?"

A. Yes. I know that "we" meant him and Loraine. I said, 'Surely this is getting very close to dishonesty?' He said, 'After all, it is a subsidiary of the Company, there is nothing to stop us transferring money from one to another.' I said, 'You are a lawyer, you know your business better than I do, but in fact £300,000 which properly belongs to the Glenrothes project has gone down to bolster up this rotten little factory of yours down in London and I suppose it has gone?' 'Yes,' he said, 'it has gone, there is nothing I can do.' I said, 'That is all I want to know.'"

246. These last admissions were the final straw to Lord Linlithgow, who promptly severed his connection with the Group. He was unable to terminate his guarantee to the Royal Bank for £20,000, which was duly called in the later collapse of Building. He had already told the Royal Bank of his fears and would have gone to the Board of Trade to ask for an investigation, had he not been advised by his solicitors that the evidence which he had was insufficient to justify his doing so. At a later date Lord Linlithgow did, in fact, go to the Board of Trade and tell them of the position as he saw it, in the hope that an investigation would follow into the affairs of the companies with which Roe and Loraine were associated.

247. Besides giving evidence before us, Lord Linlithgow authorised Sir Henry Benson to hand us his personal file upon the matter and to give us all the information in his possession. We have closely examined the part played by Lord Linlithgow in this affair and have found no place for criticism of him. Indeed had his views and questions received the attention they deserved from Roe, Sanders and Loraine the losses which were ultimately suffered might well have been materially reduced.

The Italian Project

248. In 1963 Sanders was acting in a film being made at Ravello and Loraine told us that he himself was there for a holiday in the spring of that year, though Roe put this visit in the late Summer, 1963. As a result a scheme was formulated to build a vegetable and fruit processing plant in that part of Italy called the Metaponto near Taranto and a pig fattening unit similar to that at Glenrothes, but including a breeding

unit, so that the fattening unit could be assured of supplies of weaners from the breeding unit. The pig units, we were told by Lorraine, were originally to be sited at Latina, but were moved to Abruzzi because of the mosquitoes at Latina. All these parts of Italy are situated in the Southern half of the country and as such are in the Italian equivalent of a development area.

249. The Italian Government has various schemes not unlike those of the United Kingdom Government for attracting industry to development areas - in Italy, the South. In broad terms the Italian Government will provide 4/5ths of the capital required to establish a project in the South provided the project is approved by the appropriate Government department and the developer can show the Government that he has adequate capital resources to cover the balance of 1/5th of the cost.

250. In addition to the two factories which it was proposed to build, Lorraine found a meat processing factory currently unemployed and situated some 30 miles North of Rome. The concern which had been running this factory had gone into liquidation and at the time, with which we are concerned, the plant was idle and the property vested in the equivalent of an Official Receiver. The foregoing summarises the information which Lorraine gave us upon the scope of the project, but Roe and other witnesses referred to a further site which was said to be going to be developed near Salerno.

251. The Italian scheme, having been discussed by Lorraine and Sanders in Ravello, took more formal shape in November 1963 when an Italian company called Cadco Italiana Sp. A. was registered. Its capital was provided by Roe and amounted to the equivalent of £4,500. Its shares are held by Lorraine and an Italian Lawyer-Accountant called Auriti. According to Roe the shares were ultimately to be transferred to Investment and in the meantime Lorraine and Signor Auriti were his nominees. The company was registered at an address in Latina and used the offices in Rome from which Signor Auriti carried on his practice.

252. Apart from the money provided by or through Roe to form Cadco Italiana it received a total of £82,145. 18s. 0d. transferred to it from Scotland in sterling currency notes, travellers' cheques and by cheques drawn on the Royal Bank. These cheques were drawn in favour of various apparently Scottish payees, in names such as J. McClelland, T.R. Robertson, H. McKinlay and J.M. Ferguson, but the proceeds were not credited to accounts in those names, but were ultimately collected through various channels for the account of other persons, most of whom had addresses in the Middle East. The proceeds reached the account of Cadco Italiana.

253. We have inspected the cash book of Cadco Italiana and been furnished with a copy of a statement prepared by McKee of its receipts and payments. A copy of the statement is Document 22 to this report.

254. Roe told B.O.T.A.C. in his letter of the 17th April, 1964 (see Document 7 of the schedule of documents), that Building would be responsible for all the building work of the Group's Italian project, estimated to cost £27,000,000. In his letter to Mr. Ballantynes, dated the 7th November, 1963, he defended paying a photographer £600 partly on the ground that the photographs had played "such an important part in our negotiations with the Italian Government", having stated in a telex message dated the 16th October 1963 to Mr. Ballantynes:

"I was with him (Lorraine) on Monday to see Minister for Development of South Italy regarding setting up production units for processing fruit and vegetables to ensure our full requirements for meeting all school and hospital contracts. Government (Italian) have agreed to give this matter highest priority as it is very much in accord their policy for South Italy."

Later at a meeting with Mr. Ballantynes on the 20th February 1964 Roe stated that the project in Italy was then at the signed and sealed stage and that it was part of the contract that the sum of £4,000,000 be placed at the disposal of Cadco Italiana by a consortium of Banks in Rome as soon as work began. (See paragraphs 222 and 229 hereof).

255. Both Lorraine and Roe whilst giving evidence to us tried to convey that long negotiations had taken place with the Italian Government and that their project was well known in Government circles in Rome. Roe took the line that he at all times made it clear to the Italian Government that neither Investment nor any other Cadco company could produce the money required as Cadco Italiana's share of the financial burden. Lorraine took the line that Roe had assured him that he was about to take over a Merchant Bank in Switzerland which would be called Roturman Bank - and money would then present no problems.

256. Roe in the course of giving us a resumé of the whole of this matter said:

"Just passing, if I could touch on Italy because Italy really comes in under Cadco Developments Ltd., I think. The start of the Italian project was that Mr. Sanders was making a film in Ravello in the late Summer July/August 1963, and he was visited there by Mr. Lorraine to report on Scotland, and during the course of that visit discussions were held with a man who was producing a film, a Mr. Barclay, who apart from being a film producer was also one of a band that one seems to find in Rome who are prepared to take on almost any form of business activity. Mr. Barclay said that he had very good contacts with the Cassa del Mezzogiorno, the Italian Development Department, and he felt they would be extremely interested in a project for the processing of vegetables in South Italy, and that was something that Lorraine had been thinking about and was very keen on for making full use of the factories in Scotland by importing vegetables at cheap prices with meats for school, hospital and service contracts, which I think is a copy of an American or Canadian version of a complete meal. As a result of these discussions, which had Mr. Sanders' enthusiastic backing, it

was decided to make an application to the Italian Government with a view to setting up a vegetable processing factory in Italy, a project not to be started in any way until Scotland had been finished and was under way, but that the Cadco Building Company should, when it had finished in Scotland, be the principal contractor for the Italian project and that its architects and engineers should be used for producing such preliminary plans and drawings as were required at this stage. It was also decided that the accelerated freeze drying process should be used in South Italy, and there were only two people in Europe who were sufficiently experienced and knowledgeable to undertake such an installation, one was the Vickers-Armstrong Group and the other was a German Company by the name of Leybold.

Q. Could you give me a date for the start of the Italian contract?

A. Yes. Mr. Loraine went first to Rome in October 1963 and shortly after that, as the Italian Government indicated before negotiations could be carried on there must be an Italian Company in existence, Cadco Italiana was formed and I provided the necessary funds for the formation of that Company, and what was considered the necessary capital or funds for carrying on negotiations from Switzerland, some £4,500 equivalent.

Mr. Barclay, who had a very fluent knowledge of Italian, was put on a retainer to help with the discussions with the Cassa del Mezzogiorno, and he brought in his Italian accountant Auriti.

I attended one meeting at the very early stages of this project with the Minister and I pointed out firmly, but I hope tactfully, that Cadco was already very fully committed in Scotland and knowing that under the terms of the normal Cassa del Mezzogiorno participation in projects of this kind they were prepared to finance up to 75 per cent and required the promoter of a project to have 25 per cent available and the size of the project was of the order of some 24 million, I pointed out that if it was required that Cadco should show it had a million pounds available, we had not its equivalent at that stage. When Italy's economy was not very bright, even if we had it, we would not be prepared to put it into Italy. This appeared to be accepted and they said this was a project that was so close to the Italian Government's heart that the normal provision over finance would probably be waived.

Discussions went on through October, November, December, 1963, with Loraine not permanently but almost permanently in Rome with Mr. Barclay and visits from architects and engineers, particularly Mr. Ward, who had joined the Group to be the Chief A. F. D. Engineer and Adviser. These negotiations resulted in an approval in principle of the project on the 14th January 1964, and the files then passed to the Istituto finalizzatore that deals with the finance side of operations, and this, as I anticipated at the beginning, wanted bankers' references, if the project was to be approved and to go ahead, that Cadco was in a position to put up a million pounds equivalent. This information I made it quite clear could not be forthcoming and was not forthcoming. What should then have happened in my view was that Mr. Loraine should have bowed out with the sanction in his pocket, always with a possibility of coming back when the Scottish project was over and there was less development on one's hands and seeing, if in conjunction with Italians or others, it was possible to put the project into execution. If it was then also considered desirable to do so. I remonstrated with Mr. Loraine that this is what should be done and that his presence was desperately needed in Scotland for co-ordination of the project, getting out cash projections for the production and tying up orders etc., because at that stage it was suggested by the architects that the building activities should be finished round about May. Mr. Loraine I think had then got entrenched in Rome, I think would be the correct phrase. He had, through Mr. Barclay's contacts and Mr. Sanders and his own leanings, got fairly involved with the film world there, and I gathered later was negotiating to do a film production, and he and Mr. Sanders had decided it would be a good thing to have an Italian film unit which was formed and was called Anglo-Italia Film Productions. He was also determined to find some way of starting this Italian project in spite of the impasse on the finance side, and as I understand it he got the Italian Government very interested in a large scale duplicate of the Flintheads piggery project in Scotland at a place called Latina near Rome and Italy had a meat problem on its hands.

Q. When you speak of the Flintheads project you mean Glenrothes?

A. Yes, I am sorry, it is the little village.

Q. Just outside it?

A. Yes. It would appear that Loraine had here touched the Italian Government on a vulnerable point, they were extremely interested in the piggery project, and I think one of their representatives in fact did go to Glenrothes to see it on the ground and they had full drawings and photographs. He was undoubtedly creating a tremendous impression of activity in Rome by a procession of architects and engineers and, to a much lesser degree, accountants, flying out to Rome for discussions with the Government and trying to push this project through. He was working here very much as a lone wolf against the wishes of the directors, but nothing we said seemed to have any effect. It would also appear - and he does not deny this - that everyone who flew down to Rome took money with him and left it there, which was used to finance the project, if you like, in Rome. I have in my own handwriting there a breakdown of the money that he says was taken out from Scotland to Rome and what he spent it on. I am still waiting and I hope to have very shortly the detailed accounts of Cadco Italiana. Perhaps I will read this out to give you an idea of the amount that he says went out from this country to Italy, which he says was some £75,000. The amount that has been spent on Cadco Italiana he says is a £5,000 retainer to Mr. Barclay, £2,000 to Mr. Auriti for accountancy services, secretarial, etc., deposit on land at Metaponto, where it was proposed to put these vegetable factories, of £5,000, clearing of the land £9,000, option on land at Latina £8,000, expenses paid to the Cassa del Mezzogiorno £20,000, travel, including hotels and general travel expenses, £20,000, and £15,000 on Mr. Loraine's personal living expenses during that time, which amounts to I think £86,000, of which he says £78,000 was supplied from Scotland.

Q. £8,000 on option of land where?

A. At Latina, the piggery land.

Q. There was no clearing of land there?

A. No, so far as I can gather. I think you probably know a good deal more about it than I do, but so far as I understand this money went out in the form of travellers' cheques which were cashed by Mr. Auriti on arrival, a certain amount in bank notes and a certain amount in cheques. I think living in Switzerland one knows possibly more about these things than some people because there are certain Swiss banks indulge in this activity, and I asked two Geneva Bank friends of mine and they said it was a very simple operation to discount resident sterling through what I think is called the Middle Eastern fringe of the sterling area. I think I was shown four cheques by the Treasury when they were carrying on their investigations which I think had been stopped

because the Royal Bank of Scotland woke up to this at a rather late stage and stopped them, but there is no doubt that a certain amount of money that went out, went out through the medium of those cheques.

Q. Do you know at all the proportion?

A. I think the figure of travellers' cheques was in the region of £25,000. If it is not indiscreet to ask, have you been able to get hold of those cheques, because I was trying to get them in August/September without success and I was wondering whether they had been located or whether there was anything I could possibly still do to help try locate them.

Q. I think they have been located, but we have not physically got them at the moment.

A. I believe that all those cheques were drawn under the signature of Lorraine and McKee. I have been promised say day now the Italian accounts, and I will of course send them on straight away. I have seen the Italian books, I went down and inspected them, and they have been kept in great detail, and I think it will be possible from those books to have a cross-check. I am trying to get with those accounts vouchers too, but I do not know whether Mr. Coulson has any experience of dealing with Italian accountants or not; it is not very easy.

At the same time as I said Lorraine was creating this tremendous activity in Rome to try and drive his scheme through: he was also co-producing a film with a German Company, and so far as I can ascertain this film was partly financed by the Germans and partly financed by Lorraine with backing supplied by Mrs. Elliott and backing from Italian finance sources."

257. Having heard his resumé he was asked by us questions about the Italian project and insisted on the extreme interest that the Italian Government showed in it. He was asked:

Q. That (i.e., the Glasnost project) was, on any showing, going to be a pretty formidable undertaking?

A. Set against that there were the very tempting mortgage facilities.

Q. Yes, I accept that. Then in November, 1963, you decided to expand into Italy. That is right?

A. Yes, adding a rider that so far as the Group was concerned, rather than Lorraine's ideas personally, that this should not be taken beyond a sanction and permission to go ahead until Scotland had been completed and in production. What we were most anxious to avoid at all costs was trying to carry out a project in Italy and one in Scotland at the same time.

Q. The Italian venture involved three blocks of factories: one in the very south.

A. Metaponto.

Q. One near Salerno?

A. Yes.

Q. One in the Pontine Marshes?

A. Yes. I was not quite sure of the final location.

Q. There were three sites?

A. Yes; but again, this was to be done as Phase I, 2 and 3. I think they were going to wait until one had been completed and in action before ---

Q. Why did you decide that it was prudent to extend into Italy in November, 1963?

A. I did not decide it.

Q. You may not have decided it but you ---

A. I strung along with it.

Q. Yes. You lend the whole of the money to form Cadco Italiana?

A. It was like so many things that happened in this Group, that decisions were made and precipitating action started on them, you more or less come across a peril and you have to follow it up or just opt right out - which undoubtedly would have been wiser. I think the Italian Government were extremely keen on a project of this nature, not so much for causing employment in factories but for keeping their building men fully employed on the land; and they had one or two fairly disastrous experiences, I think, with Italian industrialists, and seemed to be keen to deal with the British or Americans over this. I think that one must allow for the fact that as a negotiator/salesman Lorraine is a past master and he did fire them with great enthusiasm for this project, which I still think, basically, if really well administered and organised, is a sound project on its own.

Q. It would be wrong to say that the negotiations ever got to the stage of reaching conclusions?

A. They reached the stage of a written letter of approval.

Q. When was that? Do you know?

A. January, 1963. I am sorry; January, 1964.

Q. Would it be right to say that at the 1st of April 1964 Lorraine was in Rome concluding negotiations with the Italian Government authorities for the complementary fruit and vegetable processing?

A. He was certainly still very much in Rome negotiating with them, hoping that he was going to get over this financial stipulation. He certainly was there negotiating, yes.

Q. Hardly concluding the negotiations?

A. I think at that time he very much gave the impression that he expected to conclude them at any day. The position was that we were trying to pull him back to Scotland and he was replying that the negotiations were just about to be concluded there."

258. We heard this and other evidence from Roe on the 23rd, 24th and 25th February 1965. We heard evidence from Lorraine in Rome on the 18th and 17th March, 1965. Our interview with Lorraine took the same form as our interview with Roe - namely, to invite him to give us a resumé of the entire affair and then to question him about it.

259. His evidence about the Italian project was as follows: In the course of his resumé he said, whilst talking about Boleskine

"They built one very good pig house and then the same old story, I did not have enough money for meat ... So we had some rude letters from Beulah Hume, wanting to know when the pigs were coming along. Quite honestly, I did not see the possibility of the pigs ever coming out there. It was a good idea if it worked, for us to rear our own pigs for the sausage factory, but at Ravello it was decided by George (Sanders) - he said 'Look, we are going the wrong way about this. We had better go to one of the industrial areas and build the thing with the Government help.' ...

Q. You say that it was George Sanders' initial idea?

A. Yes. George was always very interested in building. That is why he brought in William Crow much later. He was always talking about big mergers of this business, I have read somewhere that George was not an active director. He is one of the most active directors we ever had. He was never off the telephone. Then George is an engineer by trade as well as being an actor..

It was decided (that I was not the man for Scotland) then (in 1963) because I started the Italian scheme in 1963 after Ravello. It was decided then in Ravello, when I came to meet Mr. Sanders, we discussed the Italian scheme then; he was going to be the co Italian Director with me; he was going to take up residence in Rome; he thought he might as well live in Rome as in Switzerland. ... Meanwhile a friend of mine, Mrs. Elliott, had met me again in Rome and I told her I was busy in Italy. She asked me what I thought of Scotland. I told her that if only we had enough money for Scotland we ought to be able to complete the buildings, but I felt that the Company could only be saved from Italy.

Q. That Scotland could only be saved -

A. Yes, from Italy, if at all, I thought we were completely under-capitalised. We had lost a lot of money; if only the money had been in one large sum at any one time, but it never was. So Mrs. Elliott agreed to lend me £272,000 and with the prospect of this Bank being formed in Switzerland, and I am sure, at that time Mr. Roe was sure that he would get the money this time. I suddenly agreed with Mrs. Elliott to make myself personally responsible for £200,000 which I assured her would go to Italy. I told her that I was negotiating with the Cassa del Mezzogiorno for facilities up to £4 million; that we would do this properly and we would be able to supply vegetables to Scotland (from Italy). ... The Cassa del Mezzogiorno had said in documents which I will give you that they would agree to facilities of six milliards (Lire) provided we would prove that we were credit-worthy for some 25% of the project. When this scheme was first decided with Mr. Sanders in Ravello in 1963, the spring of 1963, it was hoped - Mr. Roe hoped - you see, they had a chance of taking over a Merchant Bank in Switzerland and had that deal gone through we would, he hoped, have been able to give the Banking information to the Cassa del Mezzogiorno. ... He (Roe) promised me that when I got the agreement done with the Cassa del Mezzogiorno ... then we will find a quarter of it. ... If you can get it to that point (i.e., that Cassa del Mezzogiorno would put up 75% or 80% if Cadeo Italiana would put up the rest) right, get the Cassa del Mezzogiorno to write to Switzerland and I promise you it (i.e. proof of credit-worthiness) will be forthcoming.

260. Loraine then told us that Roe and Sanders authorised him to tell the Cassa del Mezzogiorno that if it wrote to Sanders' Swiss Banker, a Mr. Paravicini, proof of their credit-worthiness would be forthcoming. He related how the Cassa del Mezzogiorno had written to Mr. Paravicini's Bank which had not been prepared to provide an adequate confirmation of Cadeo's credit-worthiness. Loraine added:

"I can assure you that I would never have let them write to Paravicini, the banker of Mr. Sanders and Mr. Roe, unless I thought that information was going to come back phrased in the proper way, because it made me look very suspicious indeed here in Italy, because the Cassa del Mezzogiorno had already gone to considerable expense having their architects and engineers proving the scheme."

261. Loraine then explained to us that by means of considerable gratuities, shown in Cadeo Italiana's books as subscriptions to one of the Italian political parties, he had arranged a meeting between a member of the Italian Government and himself and Roe. He told us that the Minister Signor Pastori, the head of Cassa del Mezzogiorno, had pledged his support for the scheme and instructed Signor Scotti, his second in command, to see that the scheme went forward without any hindrance at all.

262. He then spoke of Mr. Barclay, of whom he said Sanders had said: 'He is a man who knows Italy and the best person to help you in Italy.' Mr. Barclay was employed at £100 a week as a kind of contact man but Loraine said: 'There was no money from anywhere at all, unless it came from Cadeo Building Company and so I started paying Mr. Barclay £100 a week. ... I started writing Cadeo Building Co. cheques for £100 direct to Mr. Barclay.'

263. He then admitted transferring about £75,000 from Scotland to Italy and said:

"We have expended on this (the Italian) project some £90,000. When I say £80,000 and I say it came from Cadeo (Development and Building) Co. I am including money that Mr. Roe sent me. ... If you ask me why I pursued this scheme and why I moved £80,000 including Mr. Roe's money to Italy from Scotland, I can only say in my own defence that I was promised that when this money went in of Mrs. Elliott's the £100,000 was coming to Italy anyway; it was not stealing money from the Building Company."

It should be noted that, in fact, most of the transfers of money from Scotland took place before Mrs. Elliott had come on the scene.

264. Loraine claimed that Cadeo Italiana owned some land near Taranto and gave an answer which illustrates admirably how his mind works,

Q. The land is now vested in Cadeo Italiana?

A. Yes, Cadeo Italiana has not lost all this £80,000 - anything but. We have not lost money. In fact we still have assets on that. What we have lost, I would say, is - in fact, I do not think we have really lost any of it at all, because we have the working drawings now worth a lot of money. The working drawings are at least worth 9% of the £4 million scheme. They must be worth something like £200,000, which we have perfected. Since our architects have left the Italian architects are working on them.

Q. When you say Italian architects, what do you mean?

A. We had only one architect working with us when we had Cadeo architects. When the Cadeo architects pulled out we had to employ Italian architects to carry on with it, and Italian engineers.

Q. By whom were they employed?

A. Employed by Cadeo Italiana.

Q. Have they worked in conjunction with the Cassa del Mezzogiorno's architect?

A. The Cassa del Mezzogiorno's architect worked with us for a while.

265. He claimed that besides owning the land near Taranto, Cadeo Italiana owned land in Abruzzi and was tenant at will of the meat factory north of Rome and that complete working drawings existed for both the Taranto and Abruzzi factories.

266. In view of the differences between Roe's and Loraine's evidence and of other information in our hands, we questioned other witnesses upon their knowledge of the

Italian project. A Mr. James Cook, an architect employed by Building, paid four visits. On the first he went to Rome with Loraine and a Mr. Thomas Dick Beaton, another Building architect, with sketch designs of a factory; on the second he went down to the toe of Italy from Rome with Mr. Barclay to select a site; on the third he drove in one of the cars of Developments, a Plymouth Fury, which he handed over to Loraine when he got there, to make some building cost estimates. These three visits were in October and November 1963. His last visit was early in January 1964, when he drove out in a Humber Super Snipe Estate car belonging to Developments, accompanied by Mr. and Mrs. Beaton. Whilst there Mr. Cook and Mr. Beaton surveyed the meat factory north of Rome and had a meeting with someone in the Institute for Assistance in the Development of Southern Italy to show that the building costs would amount to Lire 5,960,000,000.

267. Mr. Beaton in addition to the visits with Mr. Cook, went out to Rome on two other occasions. He understood that the Italian scheme involved the building of three factories south of Rome, one at Metaponto near Taranto, one at Battipaglia near Salerno and one near Latina; that the meat factory north of Rome had been bought by Cadco Italiana S.p.A.: that in January 1964 the Cassa del Mezzogiorno had approved the scheme in so far as it related to Metaponto, and that the other two factories would be built afterwards. He also understood that the Italian Government had made an 80% grant towards the Metaponto factory. He was told to get out plans in 10 days for a factory which would cost £2 million to build.

268. A Mr. James Mackintosh Scott an architect employed by Developments went to Rome once with McKee, who told him to take £500 worth of travellers' cheques with him, which he handed to McKee on the aeroplane. His visit was concerned with the Italian piggeries. He was shown a piece of ground on the Pontine Marshes near Latina and told that Cadco Italiana was negotiating to buy it for the piggeries which, as regards the fattening units, were to be the same size as at Glenrothes (i.e. 4 blocks for 20,000 weaners in all) and have breeding units in addition. He actually met an Italian architect whose job, so he understood it, was to redraw the plans which had been drawn in Glenrothes in the Italian idiom.

269. Mr. Kenneth Ward, who had been an engineer with Vickers Armstrong, took employment with Developments and Investments in February, 1964. He was introduced to Developments when Loraine approached Vickers Armstrong for a quotation for a big freeze drying unit to be installed in Italy. Whilst still with Vickers Armstrong he was told by Loraine that the Italian Government had given the go ahead for "a double factory to process something like 200 tons of vegetables a day". One factory was to be equipped with a freeze drying unit, which would cost £2½ million in equipment alone. Mr. Ward went out to Italy before joining Developments in January 1964. He was shown the factory north of Rome and was told by Loraine that Cadco had bought it for the equivalent of £200,000. He went out once after becoming the chief engineer of Investments and Developments. He was told that his employment in Scotland was by Developments but employment abroad was by Investment. On his visit to Rome in January 1964 he had a meeting with Signor Izzo's (see para. 272 below) department regarding freeze drying costs.

270. All these gentlemen give Loraine as the source of their information about the Italian project.

271. At the conclusion of Roe's and Loraine's evidence we told them both to show us every document received from the Cassa del Mezzogiorno. Each produced one letter. Roe sent his from Lausanne, whilst Loraine produced his to us in Signor Auriti's office.

272. Roe's letter was an original letter in English dated the 14th January, 1964. Loraine's was a photostat copy of the same letter but in Italian also dated the 14th January 1964. Both were signed by a Signor Antonino Izzo, chief of the Assistance Service of the Institute for Assistance in the Development of Southern Italy. The letter in English which we received from Roe is Document 9 in the schedule of documents annexed hereto.

273. Having heard Roe's account of the activities of Cadco Italiana we expected that Cadco Italiana would be well known to officials of the Italian Government concerned with the development of Southern Italy - in particular the officials of the Cassa del Mezzogiorno. We therefore sought the assistance of the Investigation Branch of the Board of Trade and as a result the Chief Investigation Officer preceded us to Rome to make enquiries of the appropriate Italian Government circles and to report to us before we heard Loraine's evidence.

274. On our arrival in Rome the Chief Investigation Officer reported that, despite widespread inquiries, he had so far found no Departments or officials to whom Cadco Italiana was known. Having heard Loraine's evidence and received from him a facsimile copy of the Italian version of Signor Izzo's letter of the 14th January 1964 (we had not received the English version by then) we instructed the Board of Trade investigator to make further inquiries in Italian official circles.

275. The Chief Investigation Officer was able to inform us that the Office to which Signor Izzo is attached is a branch of the Cassa del Mezzogiorno which assists applicants for financial aid to formulate their applications to the Cassa del Mezzogiorno and pre-

vents applications being forwarded until they are in proper form and that no application was ever forwarded on behalf of Cadco Italiana. He was also able to inform us that Signor Auriti is an undischarged bankrupt with one conviction for a minor contravention of the Italian bankruptcy laws, and provided us with certain statutory information regarding Cadco Italiana.

276. Before leaving this matter we should add that, despite our request to both Roe and Loraine for all correspondence between Cadco Italiana and the Italian authorities, neither of them has produced more than the one letter despite the reference in that letter to an earlier letter, dated the 11th November, 1963, signed by the President of the Assistance Service of the said Institute. Loraine later sent to us a letter dated 16th January, 1964, addressed to him by Roe, covering copies of a letter of the same date addressed by Roe to Mr. J. F. Paravicini of Berne and a memorandum enclosed with that letter. (Copies of these documents numbered, 10, 11 and 12 appear in the schedule of documents attached hereto). So far as we have been able to ascertain, Mr. Paravicini did not feel able to comply with the request contained in Roe's letter, at least without qualification and the Italian authorities, or bankers, remained unsatisfied as to the resources of Cadco Italiana and unwilling to proceed with its projects.

277. Whilst in Rome we visited the offices of Signor Auriti and were there shown the cash book of Cadco Italiana and what we were told was a file containing vouchers for all money paid out by Cadco Italiana. The receipts and payments account of Cadco Italiana (Document 22 hereto) for the period the 1st August 1963 to the 31st December 1964 which summarises the cash book was then produced to us by McKee, by whom it had been prepared, and from whom we obtained much of the information detailed hereunder. Roe's evidence to us upon the same subject, which we quote in paragraph 256 above is also relevant.

278. The receipts shown in the account (Document 22) are stated in lire with, in the case of the three British companies, an equivalent in sterling. The first contribution is that of Building, which is stated as £65,428.18.0. In a subsidiary statement produced by McKee which forms part of Schedule IV this amount is subdivided as follows:

Cheques	33,988. 18. 0.
Cash	15,600. 0. 0.
Travel Cheques	10,550. 0. 0.
Steve Barclay	3,190. 0. 0.
Sundries	2,100. 0. 0.
	<hr/>
	£ 65,428. 18. 0.

279. We obtained from Mr. Braidwood a copy of an extract which he had made from the records of Building in the form of a statement of Buildings account with Developments, in which is charged a number of items described as relating to Cadco Italiana. We were able to trace the majority of the individual items from this extract from the records of Building into the cash book of Cadco Italiana but a few items remain untraced. We were unable precisely to reconcile the amounts described in the receipts and payments account of Cadco Italiana as cash and travel cheques, totalling £26,150. 0. 0. According to the information put before us by officials of the Treasury, investigating alleged currency offences, the amount so taken to Italy was £34,700, leaving £8,550 unaccounted for in the books of Cadco Italiana. This unaccounted for difference may reflect personal expenses of members of the staff of Building who acted as messengers in transmitting cash and travellers cheques, or personal expenses of Loraine in addition to those charged in the receipts and payments account (see paragraph 285 below) or be susceptible of some other explanation.

280. The second contribution, that of Developments, was made in the form of four cheques, totalling £15,753, all of which we were able to trace into the books of Cadco Italiana.

281. We have found three items charged in the books of R.V.S. to Developments for Cadco Italiana totalling £2,784 but we traced into the cash book of Cadco Italiana only one item of £984.

282. For completeness, it is worthy of comment that a contribution of 20,640,000 lire is shown as from Rotarman Service, S.A. This figure is stated without a sterling equivalent and represents, we believe, the amount provided by Roe as the initial capital of Cadco Italiana, together with the equivalent of a sum remitted in dollars by Roe for the purpose of taking up five cheques drawn on Building, which were dishonoured by the Royal Bank shortly before the collapse of Building.

283. The expenditure shown in the account is divided over some ten headings, not all of which call for specific comment. We did, however, note the following points which are of some importance. (Note: In all cases we have, for convenience, noted the sterling equivalent of the Italian currency converted at a rate of 1,745 lire to the £).

(a) Site at Metaponto

The amount of 30,000,000 lire (£17,192) shown here represents the full cost, according to such documents as were produced to us, of the site purchased at Metaponto. A

document was produced to us made between Lorraine personally and one Mario Lacava, dated 21st November, 1963, under which Lorraine agreed to buy and Lacava to sell land at Metaponto for a price of 30,000,000 lire, of which one million was to be paid on signature, and the balance on completion one year later. The contract was subject to a condition that if the Cassa del Mezzogiorno, or any other body:

"give a negative opinion as to the possibility of utilising the ground for building. We shall consider the present preliminary as never stipulated" and "To-day's earnest money is to be returned".

We traced a number of subsequent payments to Lacava making up, with the original payment of one million lire, the total of 30,000,000 lire. No conveyance or document of title was produced to us because, we were told, such a document would attract stamp duty.

(b) Site at Ovinoli

The payment of 7,500,000 lire (£4,288) in respect of the site at Ovinoli related to an option to buy some land at Latina which had not, at the time of our visit, been taken up.

(c) Donation to Christian Democratic Party

We were informed that the payment of 20,000,000 lire (£11,461) to the Christian Democratic Party was made in order to establish good relations with that party, which was particularly strong in the area of the Abruzzi in which Cadco Italiana wished to purchase property. Apart from a simple acknowledgement, we saw no evidence in support of the payment and none in proof of its nature, as described to us. It should be noted that in his evidence Lorraine stated that a substantial payment had been made to an Italian political party as a preliminary to obtaining a hearing from the Cassa del Mezzogiorno.

(d) Deposit on Lease of Apartment

The last item under options and deposits related to a deposit of 400,000 lire (£229) on the lease of an apartment. This we understood was the flat in which Lorraine lived.

284. Under the heading of administration appear a number of items which merit comment.

(a) The first item, that of director's salary of 15,000,000 lire (£8,596) represents payments to Lorraine over the period.

(b) The items of staff salaries and Rome and Latina office services totalling 20,294,400 lire (£11,630) are, we presume, in respect of payments made to Mr. Barclay, to Signor Auriti for the Rome office and to a notary, Signor Varcasia who occupies the office at 112 Corso della Repubblica Latina, which is used as a registered address by Cadco Italiana.

285. The next heading "Accommodation" described as "apartment and hotels U.K. personnel" 6,394,803 lire (£3,864) is largely concerned with expenditure at Lorraine's flat in Rome.

286. It will be observed that substantial amounts were expended upon travelling expenses 3,414,665 lire (£1,957) and entertaining 2,522,195 lire (£1,450). In the circumstances and the time at our disposal we did not attempt to examine these items in detail, but from a quick perusal of the file of vouchers, it would appear that a very substantial amount was spent upon entertaining which would have had little or no relation to the affairs, such as they were, of Cadco Italiana.

287. We come to the last item appearing in the account, that of gratuities, and it is perhaps of interest to summarise the items which make up the total of 1,896,050 lire (£1,088). They are described in McKee's working papers as follows:

	<i>Lire</i>
Cassa	238,050
Flowers	35,000
Beneficenza Poveri	1,000,000
Christmas	25,000
Easter	800,000
	<hr/> 1,896,050

We were told that the payments described as "Beneficenza Poveri" were in fact payments made to secure help and assistance of officials of the Cassa del Mezzogiorno, and were payments for services which they did in fact render. This was stated to us in Signor Auriti's office by McKee but no formal evidence or shorthand note was taken upon the point and no other verification was available.

288. The records of Cadco Italiana show therefore that it had obtained at least £82,145 from Building, Developments and R.V.S. collectively, for which it received 141,549,316 lire (approximately 1,723 lire to £1). Of this sum almost the whole had been expended by the 31st December, 1964, when the cash in hand and at bank amounted to only 12,538,263 lire (£7,186).

289. In addition to cash in hand and at bank Cadco Italiana had acquired and, as far as could be ascertained, still held certain assets, as follows:

	<i>Lire</i>	<i>£</i>
Site at Metaponto	33,931,000	19,445
Plant and Equipment	13,020,000	7,460
Office Equipment	604,477	346
Option Site at Orindoli	7,500,000	4,298
Lease of Apartment	400,000	229
	<u>55,455,477</u>	<u>£ 31,778</u>

Assuming that all these assets could be re-sold for their cost Cadco Italiana would be able to realise therefrom some 55,455,477 lire, or approximately £31,700, making a total, with cash at bank and on hand of about £39,000. The balance, some 73,000,000 lire - or approximately £42,000 - of the amounts obtained from Building, Developments and R.V.S. had been expended upon objects, having little relation to the business of Cadco Italiana and which, so far as appeared from our inspection, would be unlikely to realise any substantial sum. At least 17,000,000 lire (approximately £10,000) had been paid to or on behalf of Lorraine.

290. It will be observed that in this approximate statement of the position of Cadco Italiana at the 31st December 1964, we have placed no value upon the working drawings, which Lorraine (see paragraph 264 hereof) estimated to be worth "something like £200,000".

Film Venture

291. It might appear that Lorraine's activities outside the companies with which we are concerned could not be relevant to our inquiries. Lorraine has, however, told us that most, if not all, of the losses of the United Kingdom companies in the Cadco Group will be made good from the proceeds of a venture in film making in which he engaged whilst in Italy. We accordingly record, hereunder, such information as we have been able to glean about this venture.

292. A German film company was to make a film called "The Death Rays of Dr. Mabuse". Lorraine decided to invest in it some money which he had borrowed from Mrs. Elliott. This investment he made through an Italian company called Anglo Italia Films Sp.A., in which he had obtained an interest. Lorraine told us that later he went to Berlin "to see what had happened to our money in the production of "Dr. Mabuse". He went on:

"I was alarmed by what I saw there and I felt that the film was going to be, to put it mildly, not very commercially, so I insisted that the film be shot in Italy. I now had the devil by the horns, I had to take over the physical production of the film myself."

He said that he became responsible for finishing "The Death Rays of Dr. Mabuse", but because it was worth as a finished film less than half what it had cost to produce - 226,000 dollars as against 460,000 dollars were the figures he gave us - Lorraine decided to make another film. This film "Give My Love a Gun" was to incorporate some of the film shot but ultimately not used for the German film and some which Lorraine himself produced.

293. When we were in Rome (15th - 18th March 1965) Lorraine told us that "Give My Love a Gun" was on the point of completion; that an American distributor was on the point of buying it for 2 million dollars and that out of the proceeds of sale he was going to (a) repay Mrs. Elliott, (b) repay money he had borrowed in Italy to make the film and (c) hand the balance to Roe for the benefit of the creditors of Building and the other Cadco companies. Roe has since sent us copies of two agreements with Union Filme Inc., of New York for the distribution of "The Death Rays of Dr. Mabuse" and of "Give My Love a Gun" under which Anglo Italia Films is entitled to 60% of the proceeds of the film, less certain charges, and minimum guarantees are provided of \$800,000 over the first two years of distribution. We can offer no opinion as to the value of these rights.

294. No witness who gave evidence before us claimed ever to have seen "Give My Love a Gun" or any part of it, though several had seen parts of "The Death Rays of Dr. Mabuse" run through whilst it was in the course of being produced. The document, which Lorraine described to us as an unqualified offer from an American concern to buy the film for \$2,000,000 - an offer which he said Roe had accepted on his behalf - turned out to be an offer by an American concern to act as an agent for the purpose of trying to arrange its distribution. Within a few days of our leaving Rome, Lorraine went to Paris and there tried to borrow another £10,000 from Mrs. Elliott, with which, so he told her, to complete the film.

295. We find it difficult to believe that a film constructed from material rejected from another film, itself uncommercial, and produced by an individual who described himself as inexperienced in film production, would be likely to realise any significant amount, assuming that "Give My Love a Gun" exists.

Mrs. Margaret Mary Elliott

296. By March 1964 Mrs. Elliott (see paragraph 233 hereof) had known Loraine for upwards of a year. During this time she had come to think of him as a wealthy man. He was always smartly dressed. She had visited him in Rome and seen his apartment flat. She had noticed his car in Rome and his chauffeur and the fact that he entertained on a considerable scale. She had been to his house at Storrington in Sussex and had accepted his explanation of it not being as luxurious as were most things attributable to him, that he had it simply furnished so that his children could do what they liked in the house at Storrington. She had also met him having a winter sports holiday in St. Moritz in late January 1963.

297. She had also gained the impression by March 1964 that Loraine was in a large way of business. She had gained this impression from what Loraine had told her, though she is not now able to be very specific. She understood that he had founded a small meat factory in Sussex, which became too small when he became responsible for supplying meat to 350 schools. He had accordingly expanded into Scotland where he was in course of erecting what would be a very large meat processing concern - 'she could go and see it if she wanted to' - and just embarked upon a project in Italy which would dwarf everything that had gone before. The Italian project was in its infancy, but there was an existing factory north of Rome which he was acquiring from the Italian Government - she was later shown over this factory - and then he had acquired a site for a factory at Metaponto near Taranto in relation to which he was going to get a grant of the equivalent in lire of £4 million from the Italian Government. He had also founded an Italian film company and had gone into co-production with a German film company to make a film "The Death Rays of Dr. Mabuse".

298. Until Mrs. Elliott met Loraine she was a wealthy woman. She is an experienced business woman who was until the 30th June 1965 a director of a successful public company - Airfix Ltd.

299. On the 2nd March 1964 Mrs. Elliott agreed to make a personal loan to Loraine of £272,000: the sum was to be repaid according to an agreement of that date between them

- (1) by Loraine transferring to Mrs. Elliott 20% of the equity in Anglo Italiana Productions S.R.L. (sic).
- (2) by Loraine transferring to Mrs. Elliott 20% of the equity in Cadco Italiana & A. (sic).
- (3) by Loraine assigning

"the receipts due to Anglo Italiana from the world distribution of this forthcoming production to be made with C.C.C. Filmkunst G.m.b.H. Berlin 'The Death Rays of Dr. Mabuse' or also known as 'Give my love a Gun' which film is to be produced for a budget amounting to not less than dollars six hundred thousand \$600,000, with the exception of those territories that have been assigned to C.C.C. Filmkunst G.m.b.H. and Italy and Greece."

300. Loraine was also to arrange for Mrs. Elliott to become a director of both companies should she so desire it. He undertook as well, to ensure payment of all monies due to Mrs. Elliott under this agreement, into a bank to be designated by her.

301. The agreement purports to have been made in Rome on the 2nd March, 1964. Within a very few days Loraine and Mrs. Elliott met in her Hampstead house, White Lodge 252 Finchley Road. On this occasion Mrs. Elliott gave Loraine two cheques, one for £30,000 and one for £20,000 and received from Loraine a cheque post dated to the 30th September 1964 drawn on Lloyds Bank (Hove Branch) in the sum of £50,000. He had explained to her that a large sum of money would have been paid to him by then, consequent upon the completion of all the building work in Scotland. These were his first drawings on account of the loan of £272,000.

302. Shortly thereafter, on the 23rd March 1964, Roe and Loraine arrived at 252 Finchley Road with an agreement which Roe, Sanders and Loraine had signed on behalf of Investment and each had signed in his personal capacity. The object of their visit was to obtain Mrs. Elliott's signature. Roe told Mrs. Elliott that he was going to transfer £100,000 from Switzerland to Italy instead of sending it to Scotland and accordingly the next drawing on the £272,000 could conveniently take the form of her giving the Royal Bank a guarantee in the sum of £100,000. Upon this basis Mrs. Elliott signed.

303. The agreement recites that Investment controlled Building, Cadco Italiana and Anglo-Italia Films Sp.A. It provided for Mrs. Elliott giving the Royal Bank a £100,000 guarantee which Investment would arrange for the Royal Bank to release

"before the 31st May 1964, or within one week of Mrs. Elliott becoming an External Account for the purposes of United Kingdom Exchange Control".

Once the guarantee was released, Mrs. Elliott was to make available to Investment a bank guarantee in Swiss francs to an amount equivalent to £200,000 for financing the operations of Cadco Italiana and Anglo-Italia Films.

304. Mrs. Elliott gave the Royal Bank the guarantee, but neither Roe nor Investment transferred £100,000 from Switzerland to Italy.

305. This agreement was varied by another dated the 30th April 1964, under which Mrs. Elliott undertook to provide a further guarantee for £100,000. There is a provision that on her becoming external or before the 30th September 1964, Investment

would arrange for both her guarantee to the Royal Bank to be released and she would then provide a bank guarantee in Swiss francs to the equivalent of £200,000.

306. The agreement of the 30th April 1964 provides that

"Messrs. Roe, Sanders and Loraine undertake that they will arrange the purchase of 7% (seven per cent) of the equity of Cadco (Investments) by Mrs. Elliott from Bentax Investment Company N.V. for the sum of £20,000".

Mrs. Elliott did not implement this purchase, but duly provided the second guarantee and later, at the insistence of the Royal Bank, supported both her guarantees by the deposit of marketable securities.

307. Mrs. Elliott completed her obligations under the agreement to lend Loraine £272,000 by paying Loraine in June 1964 a further £22,000. The total proceeds of the loan of £272,000 went therefore as to £200,000 to Building through the Royal Bank and as to the balance of £72,000 to Loraine. His postdated cheque for £50,000 in Mrs. Elliott's favour was dishonoured on presentation. It is, perhaps, a matter for comment that the agreements of 23rd March and 30th April, 1964, although now said to have been in performance of the agreement of 2nd March, 1964, do not contain any reference to that agreement. No evidence was given before us to explain how the amount of loan stated in the agreement came to be fixed at £272,000. We do not feel that the possibility can be excluded that the agreement of 2nd March was, in fact, signed after 15th November, 1964, and, possibly at the time of Mrs. Elliott's visit to Rome on or about 20th November.

308. Although these transactions had largely, if not entirely, exhausted Mrs. Elliott's capacity to provide loans or support to the Group, Roe made another approach to her on the 2nd September 1964 with a request for a further loan of £100,000.

309. Lord Linlithgow at a meeting on the 10th June 1964 with Roe, Sanders and Mrs. Sanders, to which we refer in paragraphs 245 and 315 hereof, had told Roe that he, Lord Linlithgow, would not be a party to any attempt to obtain money from Mrs. Elliott. Lord Linlithgow later heard that, despite his objection, Roe proposed to approach Mrs. Elliott for a further £200,000, contacted Sanders and told him that he must stop Roe doing anything of the kind, adding that to try to get money out of Mrs. Elliott was simply attempting to defraud her. Lord Linlithgow told us that Sanders had agreed with him, but nevertheless on the 2nd September 1964, Roe wrote to Mrs. Elliott a letter asking her for a loan of £100,000 and suggesting a share investment of another £100,000. A copy of the letter is Document 13 of the schedule of documents annexed hereto. He enclosed with the letter a forecast of profits, of which we have been unable to see the original but from the letter itself it is evident that the forecast showed the Group's net profit forecast in the sum of £1,188,804. We are satisfied that this forecast was similar to one dated the 28th August 1964 a copy of which is Document 14 of the schedule of documents annexed hereto (to which we refer in paragraphs 315 and 324 hereof) which was produced to us by a Mr. Brian Peter Clayton. This forecast, as inspection shows, had no foundation in the past or the current experience of R.V.S. or the Cadco Group.

310. In his letter Roe told Mrs. Elliott that the figures had been drawn up on a very conservative basis; that the Merchant Banks had already agreed to put up £1,000,000 of fresh capital; that a share interest of £100,000 which he was suggesting she might provide should become worth £2,000,000. He explained the difficulties of Building being due to the fact that the Development Corporation (in his view, so he wrote, 'deliberately') had underpaid "by £150,000/175,000 which even the Quantity Surveyor now admits is due to us", and that Building had paid for plant nearly £200,000 which must soon be reimbursed to it.

311. He summed up Scotland by saying it was 'a very exciting project' and 'will (distinguished visitors say) constitute the finest group of food producing units in Great Britain with the world's largest piggery'. He also stated 'our engineers say that R.V.S. should be able to make a profit of £100,000 per year which for a small unit is very good'.

312. On Italy, he said that land had been bought in Latina and Metaponto; the project approved by the Italian Government; that 'Denis (Loraine) has negotiated the purchase of this factory (i.e. the meat factory 30 miles North of Rome) for \$550,000 - it is worth about \$2,000,000 I understand' and that completion was due in 10 days.

313. In December, 1964, after the compulsory winding up order of Building, Loraine told Mrs. Elliott that to finish the film "Give My Love a Gun" he needed £8,000; that the money she had already advanced could only be repaid out of the profits made on the film; that it could not make a profit unless it was finished and that she would have to produce the £8,000 or lose all her stake, against which, she told us, she had been given a second charge on Loraine's house in Suseex. She made this further advance making her total commitment up to £280,000.

314. Since we saw Mrs. Elliott in Paris when we were en route for Rome, we have heard that Loraine again visited Mrs. Elliott and on the ground that otherwise all her money would be lost obtained a further £10,000 from her, ostensibly to complete the film. On this occasion she was promised a charge upon the Boleskine property as security for the further advance but as on previous occasions, the promise has not been fulfilled!

Mr. Brian Peter Clayton

315. In November 1963 Roe met Mr. B. P. Clayton who presented himself to Roe in Geneva as a man owning "an international company in food-stuffs". They had a general talk about each other's interests and Roe told him he might want to appoint him Managing Director of Cadco Italiana. Thereafter they corresponded without the matter getting very much further, until the 10th June, 1964, when they met at the offices of Roturman Services S.A. at 1 Old Burlington Street. Also at the meeting were Sanders and Mrs. George Sanders and Lord Lialithgow, who was on the point of resigning.

316. At this meeting a general proposition was put to Mr. Clayton that he should become a Managing Director within the Group, and work in Scotland. Nothing was decided at this meeting, but in the course of various telephone conversations and meetings, which took place thereafter, Roe told Clayton that the Group was short of capital with which to get into production, which was true, and Clayton told Roe that he was connected closely with a firm of Merchant Bankers - Blythe Greene Jourdain & Company - who were looking round for a suitable food producing enterprise in which to invest £1,000,000. This was quite untrue, - Mr. Clayton had no connection with Blythe Greene Jourdain & Company - but may well be the origin of Roe's statement, which we have quoted in paragraph 310 hereof.

317. Mention of the £1,000,000 unquestionably hastened the negotiations for Mr. Clayton to join Cadco. According to Mr. Clayton he was offered the appointment of Managing Director of Developments and Building, did not accept, but agreed to go to Scotland to have a look first and to be paid for going to Scotland at the same rate as he was to be paid if and when he became a director.

318. As soon as Mr. Clayton got to Scotland he realised that the Cadco companies were in a very serious financial condition. He found McKee was spending much of his time holding off creditors; that about £400,000 had been transferred from Building to R. V. S. partly directly and partly through Developments. He found that travelling expenses, mostly by air and mostly abroad had been running at the rate of £2,500 a month and included items which had no relation to the affairs of the group.

319. Mr. Clayton also discovered evidence of very expensive entertainment by Lorraine of film actors and actresses, and that the firm whom Roe had told him were the auditors - Messrs. Lindsay, Jamieson and Haldane - had not been able to get access to the books. In the first 3 days of his visit he estimated that between 20 and 30 writs arrived for one or other of the companies.

320. He immediately communicated with Roe and the upshot was a meeting between Mr. Clayton, Roe, Sanders and Mrs. Sanders in Paris on the 8th August 1964. Lorraine had promised to attend but failed to appear. Mr. Clayton took with him a Mr. Michael Harris A.C.A. of Messrs. J.B. Marks & Co. Chartered Accountants.

321. At the meeting Mr. Clayton told the others of his findings after 3 days in Scotland and everyone expressed surprise and horror. It was decided to dismiss Lorraine and McKee; to appoint Mr. Clayton Managing Director and Messrs. J.B. Marks & Co. as Auditors. Roe asked Mr. Clayton to invite Blythe Greene & Jourdain to invest in the project, but he declined to do so.

322. Two days later Mr. Clayton asked Roe what steps were to be taken to recover the £400,000 which had gone out of Scotland. Roe told him that he was asking Mrs. Elliott for a further loan of £100,000, which he did in his letter to her dated the 2nd September 1964 (see paragraphs 308 - 312 hereof). He also told Mr. Clayton that Mrs. Roe had made arrangements with her former husband, Lord Inchcape, for Gray Dawes & Co. Ltd., of which Lord Inchcape was Chairman, to provide £10,000 and if satisfied after investigating the project, a further £90,000; if Gray Dawes & Co. Ltd. were not satisfied, Lord Inchcape himself would be responsible for the £10,000 which Gray Dawes & Co. Ltd. put up without investigation.

323. Mr. Clayton had a difficult August. Creditors were pressing. Everything he examined disclosed irregularities - he discovered about the cash, travellers' cheques and the cheques presented through Middle East accounts by means of which over £82,000 had been transferred from Scotland to Italy. Eventually he decided to go to the Development Corporation and tell them of the situation he had discovered. This he did in the last week in August 1964 and saw Brigadier Doyle. His endeavours to obtain the further advance of £90,000 from Gray Dawes & Co. Limited - in two letters of 30th August, 1964 and of 1st September, 1964 (copies of which are documents 15 and 16 in the schedule of documents appended hereto) - failed to produce any further support from that source. These letters contain numerous misstatements and untruths, but their substance was, on the face of them, derived largely, if not entirely, from Roe. In the same week Mr. Clayton went to Lausanne and told Roe, Sanders and Mrs. Sanders of his meeting with Brigadier Doyle and of his further discoveries since his last meeting with them. He urged them to call a creditors' meeting, but they refused to do so because (so he told us) they thought the Royal Bank would call upon them under their personal guarantees, the moment such a meeting of creditors was called.

324. Mr. Clayton returned to Scotland. He had one telephone conversation with Roe who told him that more money was on the way. This, Roe repeated at a meeting in

London on the 4th September 1964, when he told Mr. Clayton that Mr. George Clarfelt was putting up £200,000 for a 51% holding in Investment, but required to have his own management in Scotland, as a result of which Roe asked Mr. Clayton to resign. Mr. Clayton was also told by Roe that Mrs. Elliott had agreed to the proposal that Roe had made to her for a further loan of £100,000 but conditionally upon Loraine replacing Mr. Clayton as Managing Director. Mr. Clayton was willing to resign in return for compensation, but this was not agreed and he was dismissed by letter dated the 6th September, 1964.

The Collapse of the Scottish Project

325. Developments failed to make the payment due to the Development Corporation on the 1st September 1964 in respect of the purchase of the buildings at Glenrothes: Building failed to reduce its overdraft at the Royal Bank: the Board of Trade grant had been refused: Mrs. Elliott refused Roe's request for the further loan of £100,000 and, after the briefest examination and despite Mr. Clayton's letters, Gray Dawes & Co., Limited, declined to invest the further £90,000 for which Roe had asked.

326. The Development Corporation took over the building when Developments could not pay the 5% difference between the purchase price and the amount which it could borrow from the Development Corporation. A creditor of Building presented a petition and obtained a compulsory winding up order. Our appointment followed on the 23rd December 1964. Since the commencement of our enquiries a petition to wind up R.V.S. has been presented by a creditor and an order obtained.

Trading Operations

327. Of the three companies with which we are concerned in this report, one only, R.V.S., has engaged in what could reasonably be described as trading operations. V.W.M. engaged for a short period in similar operations, but these may be regarded as part of the trading of R.V.S. Developments did not, in reality, trade at all, and operated purely as a channel for the passing of funds from one connected company to another.

Accounts of R.V.S.

328. In forming a view of the trading results of R.V.S., we have been somewhat handicapped by the fact that the last audited accounts were those made up to 30th April, 1962, and the accounts prepared in respect of subsequent periods are, in our opinion, largely unreliable. Messrs. Wood & Co. Chartered Accountants, were instructed by Roe to make up accounts, on behalf of the directors, to 11th November, 1964, the date upon which Mr. A.A. Davis of Messrs. Stoy Hayward & Co., Chartered Accountants, was appointed receiver on behalf of Lloyds Bank. These accounts which cover a period of 2½ years from 1st May, 1962, to 11th November, 1964, are inevitably coloured by the knowledge that the group as a whole was in an insolvent condition and, in many respects, take the form of a Statement of Affairs and Deficiency Account. We have not thought that it lay within our province to endeavour to go behind these accounts as it seemed to us this would be a matter which would fall into other hands later. We, therefore, have accepted these accounts as they stand.

329. We have prepared and append hereto (Schedule V) a summarised statement of the trading and profit and loss accounts of R.V.S. for the whole period of its trading from 1st February, 1960 to 11th November, 1964. The first two columns of Schedule V show the figures in the audited accounts made up to 30th April, 1961, and 30th April, 1962. In the third column are set out the figures appearing in the provisional accounts to 30th April, 1963, which were submitted to B.O.T.A.C., and to which we refer in paragraph 200 above. The balance of the transactions reflected in the accounts for the period from 1st May, 1962, to 11th November, 1964, are shown as relating to the period from 1st May, 1963, to 11th November, 1964. In view of the unreliability - for varying reasons - of the accounts before us, we have included in Schedule V a final column showing the total operations over the whole period of the trading life of R.V.S. We think that these last figures may be regarded as a reasonably reliable reflection of the final outcome and ultimately they will be comparable with the outcome of the realisations from the assets of R.V.S. Owing to the circumstances in which the accounts were prepared, there are one or two items in which we have needed to make adjustment, so that the final figures should reflect the overall position. We refer particularly to the charge for directors' remuneration, to the charges for debenture interest as well as the items which were inserted in the April 1963 accounts as credits of £8,700 against overhead expenditure, represented as administration chargee to V.W.M. and Developments. The last item is not reflected in the account for the whole period from 1st May, 1962, to 11th November, 1964, and we have, therefore, treated it as written back in the last period from 1st May, 1963, to 11th November, 1964.

330. There are certain points upon these accounts which seem to us to call for comment. We refer first to the trading account, sales, cost of sales and gross profits. In the first trading period from 1st February, 1960, to 30th April, 1961, sales of £80,711 were made, and total cost of sales amounted to £37,271 leaving a gross profit of £43,440 or 53·8% on sales. In the accounts for the next year of trading, ended 30th April, 1962, sales rose to £132,489, cost of sales to £105,573 and gross profit fell to £26,916 or 20·3% on sales. It will be recalled that in this year manufacturing operations at Partridge Green continued throughout the year, whilst in the previous period only the last month was affected by those operations.

331. In the provisional accounts for the year to 30th April, 1963 a turnover is shown of £396,565, cost of sales of £196,755 and the gross profit of £199,810 or 50·4% on sales. If these figures are to be accepted, however, and the balance of the operations shown in the accounts prepared to 11th November, 1964, is treated as relating to the period from 1st May, 1963, to 11th November, 1964, sales in that last period of approximately eighteen months totalled only £197,356 against a cost of sales of £459,433 a gross loss of £262,075 or 132·8% on sales. We find this difficult to believe as it envisages the sale of goods at something rather less than 43% of their cost. We feel that this could hardly be a correct reflection of actual operations. As we have indicated above (paragraph 201 A) the provisional accounts to 30th April, 1963, are quite unreliable. In particular it is our firm opinion that the figure of closing stock stated in those accounts at £93,745 is almost certainly greatly in excess of the true value of stocks at that date.

332. If, however, the whole period from 1st May, 1962, to 11th November, 1964, can be taken as one, a gross loss of £62,265 on a total turnover of £393,953 is shown, or something rather more than 10%. This we feel is hard enough to believe, but we have been assured by independent evidence that the degree of mismanagement incompetence and extravagance at Partridge Green was such that losses even of this magnitude were possible.

333. Over the whole period of the company's trading life, a gross profit of £8,091 is shown on a turnover of £807,123 or very slightly in excess of 1%. A business of this kind could not possibly exist upon a gross profit of this rate.

334. Numerous allegations of extravagance were made to us, in particular that consistently more staff were employed than necessary, and indeed charges for wages over the period of the trading life of R.V.S. are excessively heavy. Reference was made before us to the heavy cost of a television advertising campaign in the year 1961/62 and approximately two thirds of the total expenditure on advertising over the whole trading life of R.V.S. was incurred in that year. The costs of running motor vehicles reflect what we were told was the very extravagant manner of distribution employed by R.V.S. Charges for travelling and entertaining expenses were substantial, especially in the closing period of the trading life of R.V.S.

335. To sum up this trading statement, it shows a total net loss over the trading life of R.V.S. of £630,902 a figure which viewed against the background of the size of the operations of R.V.S., leaves us still in grave doubt as to whether, especially in the items of purchases of meat, some malpractices may not be concealed. We have not found it possible in the time at our disposal to explore this possibility as fully as we might have wished. So far as we were able to go we could find no conclusive evidence upon the point, and we are merely left with a strong suspicion grounded mainly in these quite extraordinarily heavy trading losses. If, in fact, these losses are principally the result of incompetence, extravagance and waste — of which there is ample evidence — they were, in our opinion, undoubtedly aggravated by the charging of personal expenditure, entertaining and other expenses not related to the business of R.V.S.

336. Before leaving the matter of trading results, we would refer also to the interim trading reports which were prepared by Roe and distributed to the shareholders. So far as we are able to find out, these were first issued in relation to the week ending 6th June, 1962, and last in respect of a period of eight weeks to 31st July, 1963. It is not possible, therefore, to compare them with any of the trading accounts of R.V.S., although the period falls fairly closely with that covered by the provisional accounts to 30th April, 1963. The interim trading reports were based upon information sent to Roe in Lausanne from Partridge Green, either by or under the instructions of Lorraine. We made an approximate summary of the interim accounts for the year to 7th June, 1963, during which they showed an apparent net profit of £22,256. A comparison of the figures of the interim accounts for the year to 7th June, 1963, with those for the year to 30th April, 1963, indicates that there was, in the former, an understatement in the charge for wages, approximately £15,000 and of general overheads of approximately £25,000. We are satisfied that the interim accounts could not have been compared with expenditure actually incurred in the periods which they purport to cover and that, by any normal test, they would have been clearly demonstrated to be gravely inaccurate even as a guide to current trading. It may be noted that in the interim accounts the stock in hand at no time is shown at a value higher than £63,175.

337. It is of interest that the figures of sales shown in the interim trading reports,

run at a level in the neighbourhood of £5,000 per week through the summer and early autumn of 1962, but rise very sharply in the latter half of the year to 31st July, 1963. During this period the sales were possibly inflated by the transactions with Smoldleys to which we have referred in paragraphs 137 - 145 hereof. It may well be that the trading figures reported to Roe in Lausanne upon which these interim accounts were based, included sales which did not in fact take place. This item again would go some way to explain the apparent discrepancy between the profit shown by the provisional accounts for the year to 30th April, 1963, and the very heavy loss shown for the period from 1st May, 1963, to 11th November, 1964.

Accounts of Developments

338. The Auditors of Developments - Messrs. Lindsay, Jamieson & Haldane - produced to us a "Statement of Balances" of Developments made up to November 30th 1964, which does not in terms show any trading operations. Appearing in that statement of balances is an amount of £38,682 described as "purchases and expenses". A schedule of these items was included with the statement and none of the items appears likely to be recoverable or to represent a realisable asset in the hands of Developments. In effect, these are expenses which were incurred by Developments or charged to it by one or other of the companies in the group, which are not recoverable and are not represented by any asset from which the company may benefit. For practical purposes, therefore, the amount of £38,682 represents the loss of Developments upon such operations as it may have undertaken.

Combined Operating Results of R.V.S., V.W.M., and Developments

339. The division between the three companies with which we have been concerned and the other connected companies is largely artificial, and the confusion as between the three companies applies with similar force to their transactions with the other connected concerns. We have thought that it would be pointless to endeavour to deal separately with R.V.S., V.W.M., and Developments, but have viewed the final position of the three companies collectively. The losses of R.V.S. as stated above amounted to £630,902 to which must be added £10,000 for an additional claim made by I.F.L. and certain minor adjustments for taxation, the writing-off of goodwill and the like, bringing the total losses of R.V.S. to £641,538. The loss we have mentioned above of Developments is £38,682 making total operating losses of the three companies with which we are concerned, £678,230. Apart from Building, we have no adequate information as to the deficits of the other companies in the Group (see paragraph 132 above).

Assets and Realisations

340. We have found difficulty in establishing the legal ownership as between the three companies and the connected concerns of certain of the assets which have been recorded, from time to time, as belonging to one or other of them. An example of the difficulty is shown by the property at Boleskine the title to which is apparently currently registered in the name of Loraine but which has been stated at various times to be an asset of Developments and of R.V.S., but does not appear in the books of either. Conversely, both R.V.S. and Developments show amounts as due from Lochness Foods Limited, which, we are informed, do not appear in the books of that company. It may well be that these items, as we have surmised in paragraph 165 above, represent expenditure upon Boleskine which was paid for by R.V.S. and Developments. Similarly transactions relating to the property at Partridge Green as well as to vehicles which at one time or another were the property of R.V.S., are so confused that it would take a long time to attempt to sort them out, and even at the end, there would probably be little advantage gained by the labour. We have not thought it was within our province but rather that of liquidators of the companies to endeavour to elucidate these differences, and have for the purposes of this report dealt with the position as it appears from the accounts of the companies presented to us.

341. The asset position of R.V.S., V.W.M. and Developments may be summarised as follows:

Liabilities

"Outside" creditors and banks	91,093
Loan accounts, largely with shareholders, including accrued interest	291,115
Amounts due to directors and connected concerns:	
Investment	43,150
Building	398,325
Loraine	4,779
	446,254
Total Liabilities	<u>£828,462</u>

Assets at Book Value

Fixed assets		89,363
Current assets		570
Amounts due by connected concerns:		
Lochness Foods Limited (In Liquidation)	15,858	
Cadco Italiana,	84,361	
Cadco Refrigeration Ltd.	2,945	
Andromeda Films Ltd.	2,206	105,370
Total Assets		<u>£195,303</u>
Deficiency as regards creditors taking assets at book values		633,159
Add: Issued share capital and share premium according to balance sheet at 11th November, 1964		49,450
Deficiency as regards shareholders.		<u>£682,609</u>

342. There are certain items appearing in the table set out above of the assets and liabilities of the group which merit individual comment, and some of them will require future action and attention, and we deal with them hereunder:-

(a) Bank Overdrafts

Under this heading is included the liability to the Royal Bank upon an overdraft which is secured upon the property at Partridge Green as well as by certain guarantees.

(b) Loan Accounts

These loans are those subscribed by various clients of Roe and by Roe himself and his own connections. The item includes some £48,970 for accrued interest as stated in the accounts of R.V.S. to 11th November, 1964. No corresponding figure is included in the "Statement of Balances" of Developments which is before us and, accordingly, no accrued interest is provided in relation to the affairs of Developments. Any interest so due would swell the deficiency and the loan liabilities of Developments.

(c) Investment

The amount £43,150 represents advances by Investment in addition to amounts advanced on loan account to R.V.S. and Developments which appear under the heading of loan accounts in paragraph 341 hereof. In the circumstances we are not able to offer any comment as to whether this item or the other loans by Investment, would rank in a liquidation.

(d) D.H. Loraine

The balance of £4,779 represents the amount apparently due to Loraine by R.V.S. less the amount due by him to Developments. In the circumstances that these accounts between Loraine and the companies are far from clear or complete and are confused, e.g. by such matters as the purchase of Boleskine House and its ownership, the entry of this balance in the statement does not indicate that any claim by Loraine should be accepted. Items shown as advanced to Cadco Italiana, to Andromeda Films and to Lochness Foods may also need to be taken into account in considering any account between Loraine and the companies. These matters will require more full exploration than we have thought necessary or desirable for the purpose of our enquiry.

(e) Lochness Foods Limited

This company is shown as owing a total of £15,858 to R.V.S., V.W.M. and Developments collectively. Inasmuch as no parallel account appears in the books of Lochness, no claim has been accepted by the liquidator and the claim, if any, may depend upon the solution of the question of the ownership of the property at Boleskine.

(f) Cadco Italiana

The amount of £84,361 shown as due by Cadco Italiana appears in the books of Developments and represents monies advanced to Cadco Italiana by Building and R.V.S. and charged to Developments. The records of Cadco Italiana reflect payments from Building, R.V.S. and Developments totalling £82,145.18.0. We have already (see paragraph 279 above) dealt with the larger differences between the amounts stated to us to have been advanced by Building and charged by it to Developments in respect of monies sent to Cadco Italiana, and we do not, therefore, refer further to the matter here.

(g) Cadco Refrigeration Limited and Andromeda Films Limited

Advances in the name of these companies were made out of the accounts of Developments, and we have no information as to their assets or liabilities, if any.

Aggregate Deficiency

343. The deficiency of £682,609 set out in paragraph 341 above will inevitably be increased by losses on realisation of assets in the liquidation of the companies. In our

opinion, the amounts due from connected concerns of £105,370 are unlikely to produce any significant realisation. The other assets of £89,933 (fixed assets £89,363 and current assets £570) are, in our opinion, likely on realisation to show losses totalling some £50,000. Against these may be set such proceeds as may be obtained from the realisation of interests in Boleskine as to which the rights, if any, of the companies with which we are concerned, are so uncertain that we think best to place no value upon them. Accordingly the aggregate deficiency of R.V.S., V.W.M. and Developments may, in our view, be taken to be of the order of £830,000.

344. This deficiency cannot, however, be viewed in isolation, having regard to the relations between the three companies and Building. The latter company has been placed in compulsory liquidation and, we are advised, that a gross deficiency of £813,655 is shown by the Statement of Affairs presented at its creditors meeting. In arriving at this deficiency it was assumed - we feel correctly - that amounts due to Building by R.V.S., V.W.M. and Developments, were unlikely to produce any significant realisation. The sum of £398,325 included among the liabilities of R.V.S., V.W.M. and Developments in paragraph 341 above as due to Building by the three companies must therefore be disregarded in computing the aggregate deficiency of the group. That deficiency, however, even with this allowance, will be of the order of £1,250,000.

Statutory Records

345. We have not thought, in view of the nature of the matters with which we have dealt in this report, that any detailed reference is necessary to the state of the statutory records of R.V.S., V.W.M. and Developments beyond that contained in Schedule III hereto. Whilst some of the records were maintained with some care by Mr. Feldon, when he was secretary, he was under considerable difficulty in ascertaining what transactions took place, and of obtaining documentary evidence necessary for their recording. We were told in evidence that the whole of the issued capital of the three companies with which we were concerned, was, with the capital of other companies connected with the group, transferred to Investment. We have seen evidence that, in fact, the consent of the Bank of England to these transfers was obtained, but, so far as we can see, no transfer was ever perfected.

346. We were told by Sanders and Mrs. Sanders that all shareholdings in the group companies having been concentrated in Investment, the shares of that company were to be divided among the various parties in agreed proportions. We have not, of course, been concerned with the accounts and records of Investment, and we note the point here merely as an example of the type of arrangement which seems to have been reached among the parties but, so far as we are aware, never finalised or perfected. Insofar as these matters may have any other than an historic interest, they can no doubt be elucidated later by others charged with the task of clearing up the affairs of the companies.

Conclusions

347. For the sake of clarity we propose to express our conclusions under the following headings:

- A. The Causes of Failure
- B. A Review of the Facts, Personalities and General Responsibility
- C. The Raising of Money
- D. The Misuse of Money
- E. Miscellaneous Conclusions and Recommendations.

A. The Causes of Failure

348. In paragraph 335 we reported that the extraordinarily heavy trading losses of R.V.S. left us gravely suspicious that some malpractice, other than the charging of personal expenditure, entertainment and other expenses not related to the business of R.V.S., had taken place at Partridge Green, but that we had not found conclusive evidence of it.

349. We are satisfied that the primary cause of the failure of R.V.S. and V.W.M. was the gross inefficiency and mismanagement of the business at Partridge Green, coupled with gross extravagance and expenditure of funds upon matters extraneous to its business.

350. It was suggested to us by Loraine that in some part at least the failure of R.V.S. resulted from the fact that no substantial single sums of money were put at his disposal, but only a succession of smaller sums. We regard this suggestion as entirely worthless, because in fact over the period of its existence Roe found by various means and apart from funds diverted from Building, no less than £285,000 for the business of R.V.S. It is not in our view to be entertained as a suggestion, that the failure of R.V.S. resulted from under-capitalisation. Although the form in which capital was injected into the

business was largely of loan rather than of share capital, it was nevertheless capital money, which was abused, misused and lost.

351. In our opinion, at the time of the decision to expand into Scotland, those responsible were well aware that very heavy losses had been incurred by R.V.S., and that the prospect was remote of recovering them in the course of trading by R.V.S. They hoped therefore, with the aid of grants and loans from public funds, to create an undertaking and in the course of creating it, obtain a substantial building profit in addition to the grants from public money. This profit and these grants would, they hoped, provide a sufficient capital base to enable the venture in Scotland to be operated at least in its commencing stages. Thereafter they hoped to attract other capital, possibly by a public flotation, and to dispose of the undertaking at a price profitable to themselves. We find it difficult to believe, in the face of the evidence put before us, that, except to the extent necessary to prevent the Board of Trade grant becoming repayable, and to maintain the possibility of disposing of the undertaking as a whole, those responsible for the decision to expand, ever gave serious consideration to the long term viability of the venture, or to its full scale operation.

352. It has not been our function to examine the causes of the failure of Building save in so far as the failure of Building may have resulted from its advances to R.V.S., either directly or through Developments. We have heard evidence that Building ought to have succeeded in making a substantial profit, given a reasonable standard of management; that it in fact made a grievous loss and its standard of management was on a par with the standard of management of R.V.S.

353. Developments was no more than a channel for the transfer of funds from Buildings to R.V.S., and its failure was an inevitable consequence of the losses and failure of R.V.S. The use of Developments as a channel to divert funds into other and increasingly extraneous activities, accentuated but was not the fundamental cause of the failure of Developments, which however, bore its share of the consequences of the general mismanagement and gross extravagance of the group.

354. In the case of R.V.S., V.W.M. and Developments there were other matters, to which we shall call specific attention in the course of setting out our conclusions, which contributed substantially to the actual losses suffered, but which, as a cause of failure, are of marginal importance.

355. In the light of the complete failure to make proper use of the capital monies brought into R.V.S. and of the increasing extent to which those monies were being lost, any scheme of expansion, whether involving the building of an additional factory at Partridge Green, or the building of factories and piggeries at Glenrothes or in venturing into Italy, could only be described as utterly irresponsible, even if the element of dishonesty had not been present. Lord Lidlithgow offered repeated warnings upon the magnitude of the working capital requirements of the Scottish project, but his warnings and questions alike were never heeded or answered.

356. Any scheme of expansion would obviously have required very substantial additional and new capital. The capital already injected into the group had to a large extent been lost and what had not been lost was so far sunk in the existing enterprise as to be unavailable elsewhere. In addition there was a complete absence of technical capacity, for which all the schemes for expansion considered, would have called - an absence which the complete failure of R.V.S. should have made apparent to those embarking on the extended schemes.

357. Failing the production of new and additional capital for the new ventures, they could only be financed by the diversion of funds from the main enterprises of the Group. The diversions did not, however, stop there, but moved on into enterprises less and less closely connected, if at all, with the Group.

358. Apart from the very limited amount of share capital and the more substantial loan capital in R.V.S., all funds coming into the hands of the Group were in reality borrowed money, a great deal of which was lent on express conditions as to its use. For companies subsisting entirely on borrowed money, to divert their funds to other enterprises would, on any view, have been extremely unwise. In the circumstances in which these diversions were made, we take the view that it was dishonest.

359. Even had the enterprise in Italy had merits, even had Cadco Italiana been a subsidiary of Developments and even had no question of breaches of Exchange Control regulations been involved, the diversions to Italy would have been a serious misuse of borrowed money, having regard to the terms on which much of it had been lent, as would the diversions to R.V.S. - even if R.V.S. had had a reasonable prospect of being able to make repayment.

360. Having regard to the real state of the Italian venture and to the purposes to which the diverted money was put, which included the part financing of the production of a film in Germany by people having no connection whatsoever with the Scottish venture, and having regard to the fact that there never was the remotest chance of either R.V.S. or Cadco Italiana being able to repay, the diversion of money from Scotland to both R.V.S. and Cadco Italiana was criminal, and made inevitable the failure of the companies from which the funds were diverted.

B. A Review of the Facts, Personalities and General Responsibility

361. When Loraine put his wife's butcher's bill of £180 to such unexpected use and obtained an 80% share in the business of Mr. Thomas, he had no experience of conducting and was totally unqualified to conduct a business. He knew nothing of the meat trade and had no money. At the end of the calendar month for which the partnership lasted and when he became sole proprietor of the business, he was no better equipped to run any business of the size R.V.S. became once it ceased being carried on wholly from No. 11 Victoria Terrace, Hove, and he was still without means.

362. Having regard to his immediate concern to acquire money, it is not surprising that he looked upon his business, not as a means of obtaining money through its trading activities, but as a vehicle, by means of which people, who would not have otherwise contemplated doing so, would be induced to lend money, which though not lent to him, would be available for him to spend.

363. Even before the incorporation of R.V.S. and the date on which it started trading, the unusual but wholly untrue story invented by Loraine linking the name of the sausages with Royalty, had gained his business in the course of a few weeks, far more favourable press comment than normally comes to a small South Coast butcher's shop in several decades.

364. Within a matter of days of the incorporation of R.V.S., Loraine was instrumental in having misleading advertisements, which violated the provisions of the Prevention of Frauds (Investments) Act 1958 inserted in newspapers. The evidence of the manner in which Mr. Dunlop and Mr. Reeve were persuaded to invest in R.V.S. leave us in no doubt that Loraine acted fraudulently, principally in presenting to them as achievements, what were at best unfulfilled aspirations and, at worst, pure figments of his imagination.

365. Whilst we are satisfied that Bosley & Co. did not knowingly take part in the commission of any criminal offence, we feel compelled to report our conclusion that their part in Loraine's initial activities in the meat trade was discreditable and one which falls far below the standard to be expected of a firm of solicitors.

366. They drafted the partnership agreement between Loraine and Mr. Thomas, the assignment of the partnership assets to Loraine; they drafted the agreements between R.V.S. and Mr. Dunlop and R.V.S. and Mr. Reeve; they arranged for the insertion of advertisements for capital which contravened the Prevention of Frauds (Investments) Act 1958 and which they ought to have known were misleading; thirteen of the first fifteen directors' meetings took place in their offices, with one of their representatives in attendance — not one minute recording those meetings is signed. They gave warranties to I.C.F.C. on behalf of R.V.S. on the 2nd November, 1960, which with their knowledge of the affairs of R.V.S., they ought not to have given and had particulars registered with the Registrar of Companies the correctness of which they could have taken no steps to verify.

367. Their part is in large measure due to the fact that the affairs of R.V.S. and Loraine were left in charge of a young woman, Miss Margaret Christie, who was, at the time, though qualified, very inexperienced and woefully ignorant not only of the statutory restrictions on a company with regard to raising capital and trading in its own shares, but of the basic duties of a solicitor with regard to ensuring that the desirability of seeking independent advice is brought home to the person, against whose interests the solicitor is acting, in acting for his client. There is no doubt in our mind that Mr. Thomas thought that Bosley & Co. were acting for both Loraine and himself and that no serious harm could come to him because the agreements into which he entered were drafted by a solicitor. There is no doubt that Bosley & Co. regarded only Loraine as their client. Miss Christie seemed to think that provided a solicitor does not advise on the contents of an agreement but merely drafts it no responsibility for the contents of the agreement rests on the solicitor, even if the agreement is oppressive on its face and the oppressed party is uneducated, ignorant and unrepresented.

368. It was through an advertisement in the Financial Times, no less objectionable than those which appeared in the Sussex press that Mr. O'Connor was brought onto the scene. He too was subjected to the same kind of misrepresentations to obtain his assistance, both financial and practical, as Mr. Dunlop and Mr. Reeve.

369. It has been a matter of interest to us that of the people who came in touch with Loraine, those who, if they were taken in by him at all, very soon recognised him for what he was, were themselves people of obvious integrity, whereas those who were impressed by him, thought that he had a great future in business and who were not immediately disabused, were themselves people who, it can be conclusively established from the evidence before us, lacked integrity.

370. Although Mr. O'Connor and Loraine ultimately quarrelled, it was not until some considerable time after Mr. O'Connor had himself added to the circulation of untruths, which Loraine was uttering about R.V.S. Mr. O'Connor was, we find, initially impressed by Loraine and believed that R.V.S. had a lucrative future in front of it, with Loraine as its moving spirit.

371. Mr. O'Connor's belief in R.V.S. was principally based upon his assessment

of Loraine's business acumen. This belief has passed onto Mr. Marsh, who also thought that, given some financial backing, R.V.S., with Loraine playing a significant part in its affairs, had distinct potential. He too quarrelled with Loraine and came in time to find him impossible, but not until he had added his memorandum of the 9th December, 1960, to the circulation of untruths which the then directors of R.V.S. put about to any who might be induced to subscribe capital in and lend money to R.V.S.

372. Mr. Marsh's lack of right judgment concerning R.V.S. and Loraine is the factor principally responsible for Roe's participation.

373. Roe is a man of considerable charm, but essentially weak, lacking the moral courage to say 'no'. He is by nature an optimist. He is ready to embark upon ventures likely to involve large capital outlays, with no more than a general hope that capital will be found from some source or other to meet the need when it matures. He is also a man who prefers to hope for the best instead of facing up to reality, especially when reality is unpalatable. He obviously places a very high value on what other people think of him and is prepared to go to any lengths rather than lose their high opinion. In our opinion, of those responsible for the state of affairs which our enquiries have revealed, Roe is far the most alive to the loss and hardship suffered by others.

374. Before Roe first committed his own money or that of other people, he was pressed hard by Mr. Marsh to take an interest in R.V.S. At that date Mr. Marsh's enthusiasm was genuine and not prompted by a desire to get his own money out at the expense of Roe and those whose interests were entrusted to Roe's care.

375. Apart from Sanders and Mrs. Sanders, whose evidence was not satisfactory, we have been unable to obtain evidence from those people whose money was invested in the investment companies which Roe directed, to ascertain what discussion Roe had with them before committing any of their money to R.V.S. or Developments. Roe told us that one, a German Baroness is now dead and that the others all live out of the jurisdiction of the English Court. He was unwilling that the names of those whose identity we had not discovered from another source should appear in the transcript of his evidence. One of whose names we were aware is ill in Zurich and not fit enough to give evidence at the present but we had the advantage of seeing his solicitor and perusing the correspondence which passed between the solicitor and Roe, when the former was trying to get his client's money returned to him. Roe's letters contain a substantial number of statements upon matters of fact which were, to Roe's knowledge, false.

376. Whilst we think that it is possible that Roe, in the early stages, consulted his principals without deception we do not think it possible that he did so in the later stages. None of the companies that bought shares received share certificates in the proper way. None received the interest to which they were entitled, as it fell due. Most received no interest at all. In the later stages Roe either committed more of their money without consultation or did not tell the truth when he consulted them. In this respect it is significant that throughout the life of R.V.S. only three annual general meetings were held. The first was on the 13th January, 1962, the second was on the 31st December, 1962, and the third was on the 11th December, 1963. On each occasion Mr. Feldon was instructed by Roe that the notice convening the meeting should be sent to the shareholders to his, Roe's care in Lausanne. At the first annual general meeting Loraine and Mr. Feldon only were present, the latter representing five investment companies. At this meeting no accounts were presented. At the second annual general meeting Roe, Loraine and Mr. Feldon alone were present and again no accounts were presented. At the third annual general meeting one investment company Bramfield, was represented by its solicitor, the remaining four were represented by Roe. At this meeting accounts to the 30th April, 1962, were presented and approved but no accounts to the 30th April, 1963, were available. It is also significant that all these foreign companies were incorporated with a view to the avoidance of liability to taxation. In such companies it is not unusual for the management to be vested in directors resident overseas, with authority more independent of the shareholders than in the case of companies incorporated for some other purpose.

377. By the time Mr. Marsh resigned he had come to the conclusion that any company in which Loraine played any significant part, was doomed to failure. His resignation came at a time when Roe had committed to the project substantial sums of money belonging to his principals. We were surprised, considering the close association, through Roturman Services, S.A., between Roe and Mr. Marsh, that Mr. Marsh should have resigned and Roe should have stayed. The explanation is that Roe lacked the courage to tell those people, whose money he had committed in R.V.S., that their money was lost. Mr. Marsh was not over anxious that Roe should withdraw at the same time as himself because his own chance of repayment was materially dependent upon the introduction of replacement capital by Roe or his principals. Mr. Marsh was quite content that Roe should commit more money to R.V.S. without which he could not have been repaid and to allow his associate to continue on a course, which Mr. Marsh thought was bound to end in complete disaster.

378. Of all the people involved in the affairs of R.V.S. and Developments, the person whose part has been most difficult to assess is Sanders. As soon as our appointment

was announced solicitors acting for him informed us that he and his wife had lost a fortune in R.V.S. and Developments, that Sanders was most anxious to have the affairs of R.V.S. and Developments investigated and that, as he was about to go to Hollywood to make a film he wished to give evidence before us at the earliest possible moment.

379. Upon the assumption that, as a loser, he would be anxious to tell us all he knew and would indeed be anxious to have their affairs investigated, we complied with this request and saw him, with Mrs. Sanders, as one of the earliest witnesses.

380. The evidence of Sanders was to the effect that he knew nothing about business; that he relied on Roe to look after his finances and ensure that he did not make any rash investments; that he looked upon Roe as his family solicitor and a man upon whom he could rely entirely; that he and his wife became committed to R.V.S. solely on the advice of Roe; that he had been grievously let down by Roe; that he had played no significant part in the affairs of R.V.S. or Developments; that he had no responsibility for any decision, had initiated nothing and did not know any details concerning the running of R.V.S. and Developments. He told us that he had got to know Loraine through the financial backing that he and his wife were giving to R.V.S.; that he had been impressed by Loraine's salesmanship and determination to succeed; that each time more money was required, Roe had represented the need as arising from some temporary circumstance or setback and that success to justify the investment was just around the corner.

381. As our enquiry progressed it was established by other evidence that within three weeks of his appointment to the Board of R.V.S. it was Sanders who first made proposals for expansion, by suggesting that Investment should build a second factory at Partridge Green and lease it to R.V.S. We found that Sanders had been present at a meeting when it was decided to defer this scheme and that "the whole question of setting up a factory in Ireland with the government grants that are available" should be investigated. So far as the evidence serves it suggests that Sanders was fully alive to the possibility of making a "development" profit in the building of a second factory at Partridge Green.

382. We had produced to us the joint letter which Roe and Sanders sent to Loraine dated the 17th May, 1962, from which we quoted in paragraph 118 thereof. No-one signing this letter calling on Loraine to resign could have been wholly ignorant of the state of R.V.S. When a few months later it was decided to expand by means of a second factory at Partridge Green, Sanders was a party to the decision and was one of the people who had available to him the draft balance sheet to April 1962, prepared by Messrs. Walpole Harding & Co. showing that R.V.S. had made a trading loss in the financial year 1961/62 of £130,000. We have no independent evidence that Sanders knew of the advice to retrench which Roe received from P.A. and Foccard and have assumed that Sanders was unaware of it.

383. By the time the decision was taken to expand by means of the Glenrothes project Sanders knew the extent of his and his wife's commitment, that Investment and Benitax had not received any interest on their loans, that their title to their shareholding had not been perfected. In our view he must have known at least that a substantial part of his and his wife's investment had been lost even if he did not know the position as accurately as Roe and Loraine. He was active in and about the decision to expand by means of the Glenrothes project.

384. Once the group was in negotiations with the Development Corporation, Sanders played an active part in them particularly during the period when the scheme enlarged from one involving £50,000 to one involving £3m.

385. Whilst we treated with reserve Loraine's evidence that Sanders was one of the most active directors that the group ever had and Roe's evidence that Sanders was kept aware of the state of R.V.S., we felt fairly satisfied by the tenor of the other evidence, that it was Sanders who first suggested the Italian venture, that Sanders was by no means ignorant of the financial possibilities of Government aid available to companies willing to set up business in Development Areas and that his real part in the conduct of R.V.S. and Developments was not as passive as he had described it to us in evidence. We attach considerable weight to his part in the early negotiations with the Development Corporation and in the press conference. It should be remembered that in the first draft of the press hand out, which Sanders took no step to have altered, he had been described as a trained engineer and a highly successful businessman.

386. Before formulating our opinion finally on whether the important role Sanders played in the deception on the Development Corporation was that of an innocent tool which could be excused on the grounds of stupidity and irresponsibility, or whether he was a knowing party to the deception, we decided to recall him to give evidence again.

387. The further evidence which Sanders gave before us on 15th June, 1965, did not, however, add significantly to our knowledge of his part in the affair. He continued to contend that, although he admitted receiving from Roe copies of the interim reports and short term trading accounts to which we have referred elsewhere, he was under the impression that R.V.S. was making profits, even if small. He did not substantially retreat from his former contention that he took no active part in the affairs of the Group despite evidence - not only that of Loraine - that he had done so.

388. On balance we find it difficult to accept that Sanders could have been as ignorant of the ebbing fortunes of R.V.S. as he would have had us believe. He was fully alive to the possibility of profits to be obtained for development schemes at Partridge Green and we have seen written evidence, in the form of communications addressed by Sanders to Loraine, indicating that Sanders was very ready to introduce new ideas and projects to the Group.

389. We cannot also exclude from our minds the fact that Mrs. Sanders having invested a substantial sum of money through Benlax in R.V.S. — albeit not an amount, we are given to understand, of major importance to her — as early as July of 1963 refused firmly either to add to her investment or to increase her commitment by giving guarantees such as Sanders himself gave.

390. Sanders must be held materially responsible for the launching of the disastrous venture at Glenrothes; to have been substantially aware of the financial position of the Group and to have acquiesced, at the least, in untruthful statements calculated to give the impression that he was aware of, and perhaps providing, material financial support to the venture. We do not accept his claim to have been an innocent tool in the deceptions and even if his direct responsibility is less than that of Roe and Loraine, his behaviour was, in our opinion, indifferent to the point of recklessness to the truth or untruth of statements in which he acquiesced.

391. In the course of our enquiries we have heard evidence that criminal offences have been committed in the course of conducting R.V.S., V.W.M. and Developments. In some instances the evidence is in our opinion conclusive and others it falls short of being conclusive. In some instances there are reasons why we think that the Public Interest requires that the evidence should be considered by the Director of Public Prosecutions or the Lord Advocate. In other instances there are reasons why we think that no further action should be taken. It is to these matters that we now turn.

C. Raising and Attempting to Raise Money

(i) From Mr. Reeve and Mr. Dunlop

392. Due to Mr. Dunlop's absence in Aden, we were unable to see him but had the advantage of seeing his solicitor, Mr. Jacob Mordecai Menasse of Messrs. Menasse Ralph Freeman and Tobin of Permanent House, 223, Regent Street, London, W.1. Mr. Dunlop is permanently resident in Aden and his evidence would be difficult to obtain. We accordingly confine our findings to those, which relate to obtaining money from Mr. Reeve.

393. Prior to the incorporation of R.V.S., publicity was obtained by Loraine for his business based upon the story concerning King Edward VII which was wholly untrue. As soon as R.V.S. had been incorporated, advertisements for capital which violated the provisions of The Prevention of Frauds (Investments) Act 1958 were inserted into various newspapers by Loraine through the agency of Bosley & Co. Mr. Reeve saw Loraine before parting with any money and we are satisfied that a number of untrue statements upon matters of fact were made to him by Loraine, particularly that R.V.S. was in course of expanding when expansion was still no more than a possibility dependent upon raising new capital and that R.V.S. had contracts for the supply of hospitals and schools when he had no more than hopes of such business. We are satisfied that these false statements were a material inducement, in persuading Mr. Reeve to make his investment. Mr. Reeve is an entirely honest man, but after five years his recollection is not very precise. We had the advantage of having before us when he gave evidence a copy of the statement of claim in the action which he started at the very end of 1960 and a copy of a statement he prepared for his solicitors in the course of that action. It was clear that the statement was more precise than the evidence he is now able to give.

394. Had we come to the conclusion that Bosley & Co. had played a wilful part in assisting Loraine in defrauding Mr. Reeve, we should not hesitate to recommend that this episode should be further pursued, but as we think that Bosley & Co.'s part in having the advertisements for capital inserted in the newspapers was due to the ignorance and inexperience of Miss Christie, as Mr. Reeve ultimately recovered his money, as his recollection of events has faded, as five years have elapsed since the incident and as, if our other recommendations are adopted, justice will be done to Loraine, we recommend that no further action is taken on these particular matters of the investments by Mr. Reeve and Mr. Dunlop.

(ii) From I.C.F.C. and Eagle

395. In paragraph 37 we set out a resume of what I.C.F.C. was told by Loraine in support of his request for a loan of £27,000, and in paragraph 41 what Eagle was told by Loraine in support of his request for a mortgage advance of £15,000. The reason why neither I.C.F.C. nor Eagle advanced any money was that Mr. Marsh came on the scene with money, just when R.V.S. should have been concluding arrangements with I.C.F.C. and Eagle on the basis of the offers respectively made by I.C.F.C. and Eagle and accepted by R.V.S.

396. We are satisfied that untrue statements were made by Loraine in support of his requests but as neither I.C.F.C. nor Eagle lent any money and as in the context of this

enquiry the sums of money involved are small, we recommend that these two episodes are not taken further.

(iii) From Mr. O'Connor and Mr. Marsh

397. Mr. O'Connor was told many untruths by Loraine to induce him to participate in R.V.S. Whether he still believed them when he wrote, sometime prior to the 7th November, 1960, the memorandum on R.V.S. for the purpose of fund raising for R.V.S., we do not know. What is established is that what he wrote about the happiness of the suppliers of R.V.S. and their promises of support for the expansion of R.V.S., which we quote in paragraph 62 hereof, was to his knowledge untrue. The document was shown to Mr. Marsh, who became involved principally through Mr. O'Connor. Mr. Marsh quickly busied himself in writing a memorandum dated the 9th December, 1960, which, whilst drawing on many untruths which have their origin in others and which accordingly may not have been known to him as untrue, nevertheless contained the statements of fact that he had seen certified accounts when such accounts as he had seen contained nothing to justify him in stating that they were certified.

398. As Mr. Marsh and Roe were so closely associated through Rotarman Services, S.A., it is difficult to know precisely what Mr. Marsh told Roe to induce him to commit to R.V.S. money over which he had practical control. A great deal of it was false, but most of what was false, might not have been known to be false by Mr. Marsh. We are quite satisfied that the whole made a favourable story, and allowing for Roe misjudging Loraine's abilities and integrity, when Roe embarked on his association with R.V.S., he believed it was a good investment.

399. The state of the evidence regarding Mr. O'Connor's part in obtaining Mr. Marsh's participation and the latter's part in obtaining Roe's, is not sufficiently clear or precise to justify our making any recommendation other than that their respective parts, should not be further pursued.

(iv) From Foreign Companies

400. As we have been unable to hear evidence from any of the persons living abroad whose money was invested in R.V.S. and Developments through investment companies of which Roe was a director, and have heard apart from Roe himself, only from Sanders and Mrs. Sanders, we do not feel able to make any positive finding as to the inducements offered to them by Roe for investing their money in the way they did, apart from stating that at some stage, if not from the start, they did not receive information from Roe as they should have done or were misinformed. This finding is not specific or precise enough for us to recommend that this aspect of the matter should be further investigated.

(v) From I.F.L.

401. £131,000 was paid to R.V.S. by I.F.L. on being presented with invoices which asserted that large quantities of meat had been delivered to Smedleys, which had not been delivered. I.F.L. can produce all the R.V.S. invoices for goods which R.V.S. told them had been delivered to Smedleys. Smedleys can distinguish between invoices which are genuine and those which are false. Smedleys can also say that when I.F.L. demanded payment from Smedleys in respect of the false invoices, Kinsley had no difficulty in distinguishing the genuine invoices and in agreeing with Smedleys their true liability. Almost all the false invoices are in the handwriting of Kinsley. The telex message from Loraine to Roe dated the 6th June, 1963 (Document 3 of the schedule of documents annexed hereto) establishes that Roe and Loraine knew perfectly well that money was being obtained from I.F.L. by questionable means. We recalled Mr. Feldon and Mr. Brooks to give further evidence before us on this matter after we had discovered it. We are satisfied that Mr. Feldon did not know anything about it. We are not satisfied that the evidence establishes that Mr. Brooks did know about it. We should add that we are also satisfied that though Kinsley knew what was happening and knew its implications, he acted throughout on Loraine's instructions. Notwithstanding that I.F.L. was repaid under the agreement, which Roe negotiated with I.F.L. in June 1963, with sums of money, which because they were going to I.F.L. resulted in comparable sums of Building's money (which is tantamount to Royal Bank money) having to be 'smuggled' to R.V.S. from Scotland, the factoring of false invoices, should be referred to the Director of Public Prosecutions with a view to his considering initiating criminal proceedings against Roe, Loraine and Kinsley.

(vi) From the Development Corporation

402. We have expressed our view that the whole Glenrothes project was a device by means of which its originators could recoup the very substantial sums of money which they had lost in R.V.S. We have already expressed our view that Sanders was a party to this device.

403. We do not believe that had a world famous figure such as Sanders not been associated with the project, it could have been started.

404. Through and thanks to Sanders being associated with the project, a degree of publicity was given to it which made the Development Corporation's task (and incidentally that of the Royal Bank) very nearly impossible.

405. Sanders was a party to the press hand out. The first draft which was appreciably more deceptive than that which the Press received was sent to him, Loraine and Roe.

It contained greater falsehoods than Roe could allow to pass without amendment and he took steps to alter his copy of the draft and see that Mr. Donald received the amended version. Sanders and Lorraine took no steps to have it altered and had it been left to them, the Press would have been told in their official handout that R. V. S. had 3 food product factories in the south employing 400 workers and that Robert Mitchum, William Holden, Charlie Chaplin and Graham Greene were connected with Cadco. As it was Brigadier Doyle saw both versions.

406. The press conference itself was, in our view, part of a scheme to induce the Development Corporation to enter into contractual relations with Building under which the Development Corporation undertook all the burdens of a building owner and with Developments under which it agreed to lend Developments 95 of the price of the completed buildings and land or 95% of the excess of that price over the amount of any Board of Trade building grant which Developments obtained.

407. To this deception, in which Sanders played a leading role must be added the deception played on Brigadier Doyle when he saw what he thought was the day shift working whilst he was at the factory at Partridge Green and was told that 'in the last year' or 'last year' R. V. S. had made a profit - a very very large profit and £134,000 is the figure he remembers though not with any degree of certainty. As reported in paragraph 169 hereof, this was in fact the loss by R. V. S. in the year to April 1962 draft accounts which had just come into the hands of the directors of R. V. S.

408. In our view the whole matter of the deception played on the Development Corporation to induce the Development Corporation to enter into contracts with Developments and Building should be referred to the Director of Public Prosecutions in England and the Lord Advocate in Scotland for them to consider prosecutions against Roe, Lorraine and Sanders. The total amount paid out by the Development Corporation to Building amounted to £763,911.

409. We do not think it is within our province to offer any advice or make any recommendations concerning the problems which arise from the fact that some acts of a criminal character took place wholly in England, some wholly in Scotland and some, as in the case of the Development Corporation, partly in England, e.g. Brigadier Doyle's visit to Partridge Green and partly in Scotland, e.g. the Press conference.

(vii) *From The Royal Bank*

410. We have reported in paragraphs 217 to 235 on the steps taken to obtain an overdraft from the Royal Bank rising to an ultimate figure of £460,000.

411. It will be seen that in the many false statements made to the Royal Bank Roe was principally concerned; that Lorraine assisted Roe by his presence at the meeting on the 4th November, 1963, with the Royal Bank and that during the meeting of the 5th May, 1964, McKee made the Royal Bank a number of statements which he must have known were without foundation.

412. This is another matter which we consider should be considered further with a view to the prosecution of Roe, Lorraine and McKee.

413. We were given an undertaking by Mr. Ballantyne on behalf of the Royal Bank that all original documents in the Bank's hands would be preserved and made available to the authorities if required.

(viii) *From Mrs Elliott*

414. The manner in which Mrs. Elliott was induced to give a guarantee to the Royal Bank and the manner in which she was approached by Roe for yet a third £100,000 in September 1964 involved the grossest deception upon her. On the other hand we are left in some doubt as to the true merits of the agreements between Lorraine, Roe, Sanders and Mrs. Elliott.

415. Having heard Mrs. Elliott give evidence, we do not think she would be a reliable witness. Despite her denials, we feel fairly certain, though the matter might not be susceptible of proof beyond the balance of probabilities, that one of the reasons why she entered into the guarantee transactions was that she wished to get the bulk of her wealth out of the United Kingdom. Certainly the proposals for the replacement of her guarantees by similar guarantees in Switzerland and Roe's parallel proposals to remit funds from Switzerland to Italy are not easily explicable upon any other hypothesis.

416. Despite the fact that Lorraine has largely ruined her - we do not believe that 'Give My Love a Gun', if it exists at all, will sell for an amount that will enable her to be repaid - Mrs. Elliott gave us the impression of being reluctant to say anything against him. She is now permanently resident outside the jurisdiction of the English Court and we were able to obtain her evidence only by going to Paris to see her.

417. For these reasons we do not think that the fraud on Mrs. Elliott should be pursued further.

(ix) *From the Board of Trade*

418. Though Mr. Sutcliffe ultimately reported in terms which enabled B. O. T. A. C. to reach a right decision on Development's application for a building grant from the Board of Trade, we regard the way in which this application was made and the fraudulent documents which were put before B. O. T. A. C., including accounts which had been very materially altered, as perhaps the most serious aspect of this whole matter.

419. The applicants were seeking a grant of public money amounting to £374,000. Although no grant was in fact made by the Board of Trade, the amount is such that it cannot, we feel, be regarded as anything but a very serious matter.

420. In the case of the application by Developments, what B.O.T.A.C. were told is largely on papers signed by Roe. It bears only the remotest resemblance to the truth, as can be proved beyond a shadow of doubt. The state of the accounts which B.O.T.A.C. were sent by Roe is summarised in paragraphs 196, 200 and 201 hereof.

421. Though the working papers of Mr. Braidwood and Mr. Laing cannot be found, we are entirely satisfied that their evidence was true, that the accounts which they prepared were properly prepared from the records of Building, that they showed a substantial loss and that they were passed on to McKee in their genuine state. There is set out in Document 20 hereto a copy of the accounts as they reached Roe. These show substantial falsifications, if as we think, the evidence of Mr. Braidwood and Mr. Laing should be accepted. There is also set out in Document 19 a copy of the accounts as they left Roe and reached B.O.T.A.C. Comparison of the two shows manifest falsifications, which must have been made by Roe or on his instructions. We also set out in Document 21 a copy of the accounts we were handed by Lorraine and McKee in Rome. These show, only partly made, the adjustment of the item work in progress by £100,000. We believe that McKee, after Lorraine had told us in evidence that he had a copy of the accounts which were sent to B.O.T.A.C., tried to reproduce accounts similar to those, which by then he must have realised we had already received from B.O.T.A.C. and that he knew an adjustment of £100,000 had been made to the version, which he had sent to Roe.

422. We recommend that the facts surrounding Development's application for a building grant be referred to the Director of Public Prosecutions for consideration whether or not McKee and Roe should be prosecuted for their part in relation to the application.

D. The Misuse of Money

Waste and Extravagance

423. Whilst there is evidence of misuse of the money of R.V.S. in the form of expenses and entertainment unconnected with its business, the evidence is not of a sufficiently precise character to form the basis of any criminal charge.

Diversion of Funds

424. There is evidence of transfers from R.V.S. of £6,000 to Developments, of £10,256 to Lochness Foods Limited towards building the two pig houses at Boleskine and of £2,764 to Italy. In the context of a loss of £630,902 such sums of money are not significant and except as forming part of general charges related to the transfer of money from one company to another, we do not recommend that any action should be based thereon.

425. Very much more significant sums of money, however, arising out of the Scottish project were misused. Money was lent to Building by the Royal Bank on the clearest possible condition, repeated again and again by the Royal Bank, that it was to be used as bridging finance by Building to cover the gap in time between payment by Building for the work done and the time when the Quantity Surveyor certified and the Development Corporation paid for the work. This condition was abused on a vast scale. Altogether some £398,325 was diverted from Building to the three companies with which we are concerned. At the time the diversions were made, it must have been known by Roe, Lorraine and McKee, who are responsible for having made them, that there was no prospect whatsoever of the recipient, be it R.V.S., Developments or V.W.M. — or for that matter Lochness Foods Limited or Cadco Italiana, being able to repay any part of what it received.

426. In our view these misappropriations should be considered by the Director of Public Prosecutions and the Lord Advocate.

Currency Offences

427. In the course of our enquiries we heard evidence from witnesses who, albeit unwittingly, assisted in transferring money from Scotland to Italy and thereby committed currency offences.

428. This is not directly within our province. Before ever we were appointed an investigation into this aspect of the matter was in course by the Treasury. Two of its Investigation Officers were good enough to give us a resume of what they had discovered. In the course of our investigations it was inevitable that we should have to go over some of the ground already covered by these officers of the Treasury.

429. With the exception of Lorraine and McKee, the individuals who took part in these transfers of funds were all in a subordinate position — and were unaware that Cadco Italiana was not a legitimate business and that it was not more closely linked with the Scottish project than was the case.

430. Though we are fully conscious that it is not in our province to suggest what action should or should not be taken against the subordinate members of the staff of Developments and Building, we feel compelled to make certain observations on account of the fact that we have looked into the whole history of the Cadco group more deeply than anyone else and are aware if further action is taken along the lines we have suggested

earlier, that the evidence of some of these subordinate members of the staff will be of great value.

431. We have particularly in mind Mr. Braidwood. Though young and inexperienced, he impressed us as fundamentally honest, whose evidence to us was entirely trustworthy. We both think it would be wrong to prosecute him and other subordinate members of the staff for currency irregularities and earnestly hope that those to whom it falls to decide whether or not to take proceedings, will decide not to do so. We hesitate before including this in our report, knowing that it was not strictly within our terms of reference; we neither of us felt that we should have wholly discharged our task, if we made no reference to it.

Other Misuses

432. In the course of the evidence we were informed of small, in the context of the affair as a whole, but nevertheless blatant incidents relating to the misuse of money. We did not consider that they were worthy of reference in the factual part of our report, but list them here together with an indication of the witnesses who can establish them.

(a) May's Travel Agency of Kirkcaldy issued an air ticket for one G. Gordon to travel from Paris to Los Angeles, on to Rio de Janeiro and back to Paris. McKee told Mr. Clayton falsely that G. Gordon was a meat consultant. The air ticket was paid for by Building and was obtained on Lorraine's instructions for the use of Miss Gay Gordon an actress friend of Lorraine.

(b) There is an item of £3,250 charged to Developments in the books of Building. This was a payment made on the 17th July, 1964, to Eric Goodhead (Management) Limited. In reply to our enquiry Eric Goodhead (Management) Limited informed us that this payment was made as to £2,500 in respect of the services of Mr. Leo Genn in Berlin and as to £750 for the service of Mr. Robert Beatty in Berlin and Rome both actors (for whom Eric Goodhead (Management) Limited acted as agent) having been engaged by Lorraine to undertake important parts in a film then called "Dr. Mabuse".

(c) On the 21st May, 1964, McKee instructed Mrs. Ivy Doris Hutchinson, a witness whom we found reliable, to go from Glenrothes to London Airport to meet Lorraine with £3,000 in £5 notes, which belonged to Building. At London Airport Mrs. Hutchinson, to assist Lorraine, secreted some £1,400 between the leaves of a film script. Having secreted this sum in this way she gave the loaded script to Lorraine and he left the country with it. On Lorraine's instructions Mrs. Hutchinson made a call at a number of banks and exchanged the balance of the £5 notes, which Lorraine had not taken out on that day, for £10 notes which she returned to McKee at Glenrothes. According to McKee, Lorraine took these £10 notes out of the country on a later occasion. Whilst he probably did, we do not place reliance on what McKee has told us.

(d) On 31st March, 1964, a cheque was drawn by Building in favour of Developments for £4,700. On the same day Developments gave a cheque to Lorraine for £4,500 and on that day Lorraine paid a local garage in Kirkcaldy, for the purchase of an Aston Martin motor car. Lorraine later informed, among others, Mrs. Sanders that this vehicle was a personal present to him from one Alfredo and, accordingly, claimed it as his personal property.

433. Except for the four particularly blatant instances of misuse of money referred to in paragraph 432 *ibid.*, we have tried to pick out what we regard as the really serious instances of improperly obtaining and using money. It follows from what we have written that in our opinion the directors of R.V.S. and Developments carried on those businesses in fraud of their creditors and the remedies given under section 332 of the Companies Act, 1948, are available to those who may apply to the court for them. In view of the nature of our recommendations as to further action to be taken it may be superfluous to add that the provisions of Sections 329 to 331 of the Act would also apply to the operations of R.V.S., V.W.M. and Developments.

E. Miscellaneous Conclusions and Recommendations

(i) Liquidation of Companies in the Group

434. There are several items of property and assets, the titles to which, if not at present the subject matter of dispute, are nonetheless obscure. Insofar as any assets remain, it would in our opinion be wrong to permit the directors to deal with them. In this connection it may be noted that the counterclaim of Developments to an action by Mr. Clayton, is still being pursued on the authority of Roe, who told us that he is, himself, currently paying the costs. Similarly there is evidence that Sanders is in possession of engineering equipment at his house in Kent which may belong to Cadco Engineering Company Limited, though paid for out of monies lent to Building by the Royal Bank. Photographic equipment belonging to the group is also believed to be at Lorraine's house, Rothbury, Storrington, Sussex, and the title to Boleskine must be finally settled. All the English companies in the group are, we believe, insolvent. For these reasons we recommend that all the companies in the group which are not as yet in liquidation, should forthwith be wound up compulsorily.

(ii) Procedure of Development Corporations

435. We recommend that consideration should be given to devising a way in which the standing of those behind a project and the viability of the project itself is investi-

gated before any contractual obligations involving substantial sums of money are entered into by a Development Corporation. We think that when a project will involve substantial loans from or expenditure by a Development Corporation it should be possible, without destroying the confidential character of the negotiations, to devise machinery whereby one thorough investigation such as the one Mr. Sutcliffe carried out in this instance, could be carried out on behalf of all interested parties. In offering this recommendation we do not overlook the fact that many projects submitted to Development Corporations will be submitted by companies and concerns of substantial standing, both in time and resources. The Cadco project was, in fact, a new and untried venture and its investigation, in consequence, more difficult but not, as the B.O.T.A.C. enquiry shows, impossible to undertake effectively.

(iii) *Glenrothes Development Corporation*

436. We have heard no evidence to impeach the integrity of any of the officials of the Development Corporation and, in particular, are satisfied that Brigadier Doyle did not act dishonestly or improperly in visiting Italy at the expense of the Cadco group, when he had been offered an appointment with Cadco Italiana and was considering whether to accept it or not.

Duration of Enquiry and our Acknowledgements

437. As will be noted from the opening of this report, we were appointed on 23rd December 1964, and the date of this report itself will show the period over which our enquiries have absorbed our activities. We sat to take evidence upon thirty-three days, partly in Scotland at Glenrothes at the offices of the Glenrothes Development Corporation, and partly in Paris at the British Embassy and Rome at the Embassy there. The greater part of the evidence, however, was taken in London.

438. We have attached to this report (Schedule VI) an index of the witnesses whom we saw, divided over the periods during which we took evidence. We have attached to each name on the occasion of the witness's first being called, a note either of his general activities, or his connection with the matters under enquiry. We would wish to record our appreciation of the frankness and courtesy with which the witnesses almost without exception received our questions and did their best to assist us, although at times, inevitably, we were compelled to encroach seriously upon their available time. Except where we have drawn attention to the matter in this report, we are of the opinion that the witnesses who came before us told us honestly what they thought had happened, and what they believed to be the truth.

439. We would record particularly our indebtedness to the Glenrothes Development Corporation and its officers in making accommodation available for us to see witnesses in Glenrothes during the week which we spent in Scotland, and for assisting in finding and summoning witnesses whose addresses were not known directly to us. We are also indebted to the officials of the British Embassies in Paris and Rome, and especially to Mr. C.M. Rose in Paris, and Mr. P.V. Killick in Rome, for making accommodation available for us to see witnesses in those cities. We would also record our appreciation of the unfailing help and courtesy given to us by Mr. G.F. Morris, the Inspector General of companies, Mr. A.T. Cheek the Senior Official Receiver, and the Board of Trade officers in general for putting at our disposal the services of the Chief Investigator, Mr. L.V. Gale.

440. The list of those to whom we are indebted would not be complete without reference to Mr. B.M. Field our shorthand writer, who followed in our train to the north and far away to the south, and at no time faltered, although the pressure upon him was at all times extremely heavy. Certain of the witnesses were not particularly patient in their speech, and it was a matter of amazement to us that his transcripts were so accurate a record of words spoken at extreme speed.

OWEN STABLE

2 Crown Office Row,
Temple,
London, E.C.4.

H.O.H. COULSON

Alderman's House,
Alderman's Walk,
Bishopsgate,
London, E.C.2.

28th July, 1965.

SCHEDULES

SCHEDULE I DOCUMENT 1

DIRECTORS
D. LORRAINE
M. LORRAINE

PURVEYORS OF ROYAL VICTORIAN SAUSAGES

**ROYAL
VICTORIA
SAUSAGES
LIMITED**

W. & F. PILLBROOK
(Est. 1893)


Telephone HOVE 34167

11 Victoria Terrace Kingsway Hove Sussex

May 23, 1960

Received from Cecil P. Reeve, 90, Garden Avenue,
Brighton, this day, the sum of One Thousand Pounds
as payment against Fifty Ordinary Shares of Twenty
Pounds value per Share, in the above-captioned
Company.

This is an acknowledgement of receipt of these
monies against these shares, subject to the Service
Agreement now in the course of preparation by Messrs.
J. Boseley & Co between the afore-mentioned parties,
and, in particular, to the clause contained therein
whereby should this agreement not be officially
ratified by either party within six months from
its signing, then the Shares will be recovered by
the above-captioned Company at the rate of Twenty
Pounds per share.

pp Royal Victoria Sausages Ltd.,
D. Lorraine, Director.

No 4.

ROYAL VICTORIA SAUSAGES	
INCORPORATED UNDER THE	COMPANIES ACT 1948
LIMITED	
CAPITAL £ 1,000	

DIVIDED INTO 50 SHARES OF Twenty pounds EACH

THIS IS TO CERTIFY that CECIL PERCIVAL REEVE

90 Garden Avenue, Brighton, Sussex.

is the holder of 50 Shares fully paid
of 20 each Numbered 65 to 77 inclusive in
 the above named Company subject to the Memorandum and
 Articles of Association hereof

GIVEN under the common seal of the said Company

the 26th day of May 1960

DIRECTORS

SECRETARY

NO TRANSFER OF THE WHOLE OR ANY PORTION OF THE ABOVE SHARES CAN BE REGISTERED WITHOUT THE PRODUCTION OF THIS CERTIFICATE.

SCHEDULE 1 DOCUMENT 3

ROTURHANSA LSN
VICTORIA GLENROTHEES 1512HRS 6/6/63
72106 /6 /6
IS MR ROE THERE PLEASE ?
YES HOH PLEASE

THANKY YOU HAOELEINE

HERE I AM DENNIS

I HAVE BEEN WONDERING WHAT JOE NEED FACTOR TONIGHT TO GET FUNDS FLOWING TO RVS HOVE AND DELVELOPMENTS TOMOORROW . AS I SEE IT RVS ARE GOING TO REQUIRE ABOUT 1500 FOR WAGES AND ANOTHER 1000 FOR MEAT AS SCHOOLS COME BACK ON MONDAY . I AM SEEING FRANK ON HONDAY AND THINK CAN HOLD HIS HAND FOR A WHILE . I UNDERSTAND THAT SMEDLEYS ARE SENDING THEM A CHEQUE THIS WEEK BUT CANNOT ASCERTAIN AMOUNT . JOE IS CHASING THEM ON THIS SCORE . UNFORTUNATELY THEY KKEEP ASKING FOR COPIES ALL INVOICES WHICH I AM RELUCTANT TO DO AND DISCLOSE ADVANCE A FACTORING . I AM HOPING TO SEE HISCOCK AT THE LATTER END OF NEXT WEKK . I HOPE TO SEE VALENTINE ON TUESDAY NEXT . MUST GO AND SORT OUT P .G. LALTHOUGH CAGE IS DOING USEFUL JOB I AM ALARMED AT SLOW RATE OF INCREASE IN ACASH SALES . I UNDERSTAND JUST OVER TWO TOHUSAND THIS CURRENT WEEK WHICH I S FIFTY PER CENT BELOW ANITICIPATED . I MIGHT HAVE TO TAKE SOME VANS OFF ROAD A AND REDUCE RUNNING COST S . FIRTS FIRST STAGE PAYMENT FOR GLENRM WILL GO FORWARD NEXT TUESDAY . HUTCHESON AT LOCAL BANK CLAIMS THAT VALENTINE WILL TO HIS LIMITED KNOWLEDGE GIVE ANY APPLICATION FOR BUILDING BRIOGING FINANCE EVERY CONSIDERATION AND PRIORITY . HOWEVER WILL DO MY BEST NEXT TURESDAY SECURE ADDITIONAL MNUNDRED THOUSAND OVER TO YOU .

9CDENNIS FIRST CURRENT FINANCE

I RECKON THAT AFTER SENDING 2000POUNDS TO CADCO DEVELOPMENTS HOVE WHICH I AM REATING AS A RENT PAYMENT BY RVS I HAVE TAKING CREDIT FOR YESTERDAYS FACTORING AND DEBITING THE WEEKS STANDING ORDERS

V6 BN THIRY

RDL
SOME 600POUNDS IN HAND .AS I SEE IT YOU NEED ANOTHER 2500POUNDS FOR HOVE THIS WEEK PLUS A FURTHER 3000POUNDS FOR THE BUILDING COHPAN WHICH HAKES 5500IN ALL FOR THE WEEK.

IUX
KBE THE 2000HAS NOW BEEN PAID IN.I NEED NO MORE FOR CREDITORS ETC THIS WEEK
BY THE WAY THE BANKER IS BALLANTYNE.I SUGGEST IF YOU ARE SUCCESSFUL WITH HIM THAT WE USE SOME OF THE AVAILABILITY TO BUY AS MUCH MEAT AS POSS FOR P GREEN AND SPEED UP PRODUCTION THERE TO MEET THE BACKLOG FOR SMEDLEYS.THIS I SAFTER ALL PROFITABLE AND WILL HELP FROM EVERY PINT OF VIEW

I AM GLO YOU ARE GOING DOWN AS IT IS NEVER THE SAHE WITHOUT YOU AND THEY WILL ALWAS NEED PERIODIC VOSITS TO STIR THEM UP

RE SMEDLEYS I DO NOT THINK THAT TIME IS ON OUR SIEGE
TO MEET ALL ADVANCE ORDERS AND SOME OF THE BUILDING AND
ROYAL BANK MONEY WILL HAVE TO GO TO RECOURSE TO FACTORS .
THIS WILL BE INCREASE BY ANOTHER FOUR THOUSAND TONIGHT IF
I GIVE JOE THE WORD TO LET IT ROLL . THE ORDERS FROM
SMEDLEYS WOULD TAKE AN UNIT THREE TIMES THE SIZE OF P GREEN
TO MEET OIN NEXT FOUR WEEKS . THIS IS THE TIME BEFORE
UGLY QUESTIONS ARE ASKED . I WILL BE RECEIVING PAYMENTS
OF APPROX 140,000 POUNDS WITHIN EIGHTEEN DAYS AND THIS
PLUS COMMISSIONS OF ANOTHER THIRTY THOUSAND WILL HAVE
TO TURN THE TIDE . THIS IS MY TARGET WHICH WITHOUT
WISHFUL THINKING I THINK I CAN BRING FORWARD .

ROGER AND AGREE WITH YOU. OBVIOUSLY THE ROYAL BANK 100000 WOULD HELP
GREATLY TO FILL THE GAP OVER THE NEXT TWO WEEKS. I WAS THINKING OF
FULL PRODUCTION TO HELP CATCH UP FOR YOU AND REDUCE THE GAP
AS WELL AS HAVING TO MEET THE GAP WHEN IT COMES
IF YOU ARE GOING TO BE DOWN IN SOUTH FOR A FEW DAYS I HOPE THE BOYS
IN GLENR WILL KEEP UP THE PRESSURE

MR GENTILES SURVEYORS ARE DOING A GOOD JOB AND ALL ADMINISTRATION
IS NOW SET UP . I REGRET THAT MEAT PRICES ARE SPIRALLY IN THE
SOUTH AND WE MAY NOT AS SO FAR SMEDLEYS HAVE NOT ORDERED
ANY CATERING SAUSAGES KEEP SUPPLYING THEM ON PREPACKS ALONE
AND MAINTAIN PROFIT MARGIN . BY AND LARGE I AM COMING
TO CONCLUSION THEY ARE A DEAD LOSS . I HAVE ARRANGED
FOR OUR ENGINEERS TO PREPARE FULL REPORT ON MICRO WAVE
PROCESSES AND COSTINGS FOR YOU AND WE HAVE THIS UNDER CONTROL .
AS I SEE IT THE LOFTY BIRDSEYE CANNOT REPLACE THEIR EXISTING
EQUIPMENT WITH ELECTRONIC HEATING AND FREEZING FOR AT LEAST
THREE YEARS AND WE ARE IN THE SAME POSITION AS THE WEST GERMANS
WHO STARTED FROM SCRATCH AFTER THE WAR AND WE CAN GET A HEAD START
I WILL LET YOU HAVE FULL REPORT SALESWISE , PRODUCTION AND
COST WISE BY NEXT WEDNESDAY AND SANYO I AND I WILL WORK ON THIS
ALL WEEKEND . HAVE NO FEAR ABOUT GLENROTHES EVERYONE WANTS
A JOB AND WE ARE SELECTING ONLY THE BEST PEOPLE . THE
P AND L FOR LAST PERIOD WILL BE TELEXED ON TUESDAY .
JOE AND BUNNY ARE HERE AND EVERYONE IS GETTING THEIR PROVERBIAL
FINGERS OUT .

OQ DENNIS AND I WILL BE TALKING TO YOU AT P GREEN. I AM GLAD
YOU ARE WORKING ON THE SCHOOL MEAL PLAN FOR I AM SURE NOW IS THE
TIME TO PUT THIS ONE OVER AND I AM READY TO GO INTO THE ATTACK WHEN
I HAVE THE AMMUNITION
I AM GOING TO PARIS ON 12TH JUNE ABOUT I WILL BE CLEAR TO COME OVER
TO YOU FOR TWO DAYS THE FOLLOWING WEEK AND AM WORKING OUT DATES

O K IF I CANNOT REACH YOU BY TELEX TOMORROW AS I SHALL BE
MOVING AROUND . 8 '2-33 029,3 697 -5 29.3
I SHALL IN ANY CASE BE AT HOME TOMORROW EVENING .
JOE WILL FACTOR 4000 TONIGHT PLUS SCHOOLS ETC , M THIS
MAY NOT BE AT FACTORS TOMORROW BECAUSE OF THE DAMEND POST
BUT YOU CAN ANTICIPATE IT .
I SUGGEST YOU TELEX FACTORS TELLING THEM WHAT IS EN ROUTE SO THAT
I CAN GET CHAMBERS TO RELEASE. I SUGGEST RELEASING 2500 TO RYS
AND THE BALANCE TO CADCO DO YOU AGREE?

PLEASE AS WITH 140,000 COMING FORWARD I MUST STRAT
A WORK CREW OF AT LEAST THREE HUNDRED NEXT WEEK .

OK AND IF BALLANTYNE PLAYS YOUR POSITION WILL BE EASED. TELL JOE TO
KEEP IN TOUCH AND TELL HIM THAT I AM
ABSENT AFTER MIDDAY TOMORROW UNTIL SATURDAY MORN

WILCO .
GOD BLESS .

ROTURMANSA LSN
VICTORIA GLENROTHS.9

THE NORTH OF SCOTLAND COLLEGE OF AGRICULTURE
FARM BUILDINGS DEPARTMENT

Advised—

D. S. SCUTAR,

A.R.B.A., A.A. Hon. Dip., C.I.Agr.E.

Telephone—Buckburn 2206



CRAIBSTONE,

Buckburn,

Aberdeen.

DSS/MG

12th April, 1963

Dear Sir,

Cadco Developments Limited
Royal Victoria Sausages Limited
Victoria Wholesale Meats Limited

Your letter of 5th instant concerning the above was only received by me this morning, the delay having been caused by the improper address.

The advice of the College of Agriculture was requested by a Mr. P. Allan in respect of a project involving a proposed 4,000 porker producing unit at Boleakine House, Foyers, Inverness-shire, in the summer of 1962. The matter was considered by my colleague Mr. John Grant, Regional Director of the College's Advisory Services in the Inverness region, who referred the housing problem to me. Together we visited Mr. Allan at Boleakine House on 5th October, 1962, with a view to discussing the project on the site on which it was proposed to build it, and as you will note from the concluding paragraph of the enclosed copy letter neither Mr. Grant nor myself favoured the proposition - for a wide variety of reasons - but Mr. Allan having stated his determination to proceed with the project, it was felt incumbent on the College to give him advice on the planning of the buildings. You will also note from the enclosed copy letter that three plans were sent to Mr. Allan, copies of two of which are enclosed herewith for your information. You will further note that the design of the building was stated in the letter to be 'based on the management practices you (Allan) indicated'.

The above represented all the advice supplied to Mr. Allan with the exception of two subsequent letters in February, 1963, in which information was given to him concerning the use of Feldmesh as an alternative to concrete slats. Because of the nature of this enquiry no follow-up visits were made by this Department. All requests for advice came from this Mr. P. Allan personally. I would ask you to note that the house was designed to suit the management practices stated by Mr. Allan as it is not our practice to recommend pens so large as to contain forty pigs in any type of pig housing.

Soze/

12th April, 1965

Some time later, at a date which I regret I cannot remember, a Mr. Lorraine or other representative of Messrs. Cadoc, telephoned to me enquiring whether my professional services could be engaged as consultant for the housing developments at Glenrothes. In reply I stated that I had not carried out any private consultancy work since I had joined the College of Agriculture and had no intention of so doing. At various times subsequent to this I have heard, by way of odd conversation, that my name had been mentioned as having been responsible to a certain extent for the design of the pig houses at Glenrothes. This I must say has annoyed me very much because, having seen these houses, I am in anything but agreement with their conception - quite apart from the fact that the suggestion that I was in any way connected with their design is totally untrue.

I trust that the information given above will serve your purpose and that you will not now require me to travel to London to give formal evidence.

I will be grateful if you will return the drawings after perusal.

Yours faithfully,



H. O. H. Coulson, Esq.,
Messrs. Burton, Mayhew & Co.,
Chartered Accountants,
Alderman's House,
Bishopsgate,
London, E.C.2.

SCHEDULE I DOCUMENT 5

THE NORTH OF SCOTLAND COLLEGE OF AGRICULTURE FARM BUILDINGS DEPARTMENT

Advisor-
D. S. Soutar
A.R.I.B.A., A.A.Hone.Dip., C.I.Agr.E.
Telephone - Bucksburn 2308

GRAIBSTONE,
Bucksburn,
Aberdeen.

24th October, 1962

Dear Mr. Allan,

Proposed 4,000 Porker Producing Unit

Referring to your recent meeting with Mr. John Grant, Regional Director, and myself at Boleaskine when your project to develop a 4,000 porker producing unit was discussed, I enclose herewith sketches showing:-

1. Layout diagram of 10 houses each holding 400 pigs.
2. Typical plan and section of pen for 40 porkers with slatted dung area.
3. Ditto but with fully slatted floor.

The layout diagram suggests the development of the project on either side of a surfaced access roadway with hard surfaced tracks on either extremity of the houses. So far as I can ascertain the distance between the houses is of little import from a hygienic point of view so long as implements are not taken from one house to the next and so long as the piggan disinfects his boots on entering any house. You might consider separating the unit on two different sites for the prevention of disease spread with separate access roads so that one half could be completely isolated from the other.

The houses shown comprise 10 pens of 40 pigs but this unit size could be reduced or expanded. A portable loading ramp designed for easy disinfection could be used both for the intake of weaners and the dispatch of porkers and with this in mind the 20'0" width between houses is not excessive. The central roadway need only be 8'0" or 9'0" wide with 3'0" between the roadway and the house.

The typical plan of the pen with solid floor and slatted dung area is based on an allowance of 3.5 sq. ft. solid floor and 1 sq. ft. slatted dung area for 40 pigs. An adjustable division, the full width of the pen, can be used to reduce its size to ensure that the weaner pigs use the slatted dunging area. If this adjustable division is made so that its lower edge slopes towards the pigs a simple top catch such as a notch in the pen division wall will hold the divisions in any desired position.

The sludge tank under the slats if 3'0" deep should hold a minimum of three weeks sludge for the 40 porkers and if 4'0" deep it would hold at least four weeks sludge. I would suggest a sludge draw-off access for every two pens and the formation of a sump 4'6" long x 1'0" wide x 1'0" deep (minimum sizes) in the floor of the sludge tank at each draw-off point to contain the end of the suction pipe.

Ventilation /

Mr. Allan.

- 2 -

24th October, 1962

Ventilation is suggested as being by way of a continuous baffled inlet at the wellhead, allowing a 3" opening with bottom hung control flap, and central insulated extract shafts. In the 10 pen house two such shafts would be required, one serving each half of the house. These shafts should be fitted with fans capable of 4,250 c.f.m. under free airflow which would be reduced to approximately 3,600 c.f.m. due to the shaft and inlet restrictions. This represents a maximum extract rate of 15 c.f.m. per 100 lb. pig liveweight which should satisfy conditions when the house is full of 120 lb. Porkers. When first filled with weaners the ventilation requirements will only be half this amount and so a speed control giving 50%, 75% and 100% speeds should be employed. A greater variation in control could be achieved using three or four fans of smaller size but this would involve increased expense. It will be wise to select the make of fan to be employed before making the shafts so that the fitting details can be accommodated.

You will note that the positioning of the self-feeders allows of a 'resting' area and an 'activities' area involving feeding and dunging and while the feeders are not so easily filled in this position. I am sure this layout is better as far as the pigs are concerned.

As you indicated that you are contemplating building the houses with direct labour, timber construction would probably be most suitable and would offer relatively higher insulation values for a similar capital outlay. The general construction is indicated on our sketches. The roof is shown as having the main rafters supported by posts at the pen divisions but for the sake of future flexibility in the use of the houses you might consider using a truss with a 'high level' tie - a tie 6'3" above floor height to allow reasonable headroom. The slats are shown as being of concrete but Weldmesh would also be satisfactory. The gaps between the slats should not exceed $\frac{3}{4}$ " so as to accommodate the weaners.

In addition to the above design which was based on the management practices you indicated, a sketch plan of a fully slatted floored house is enclosed. Because dunging can take place on any part of such a floor no reduction in pen size need be practised when the pigs are small and, therefore, a self-feeder with gate attached could be used to form the pen wall next the pass. This type of house is some 7'6" narrower than that with solid floor and slatted dung area, but a considerable portion of the saving in costs so achieved would be expended on the larger sludge tank and slatted floor. Mr. MacPuff-Duncan of Aloaig, Conon Bridge, has a fully slatted floored feeding house and if you 'phoned him first I think he would be pleased to let you see his house which has 3" x $\frac{1}{2}$ " x 10 g. Weldmesh over all the floors.

In conclusion I would reiterate what Mr. John Grant and I stated during our visit that while we could not favour your proposition when assessing it against normal standards the College will be pleased to give you whatever assistance it can offer.

Yours sincerely,

(Sgd.) D. S. Soutar.

P. Allan, Esq.,
Boleskine House,
Gorthlick,
Inverness.

Copy to:- J. W. Grant, Esq.

SCHEDULE I DOCUMENT 6

TELEGRAMS "DUNCAN DUNCAN, INVERNESS"

DUNCAN & DUNCAN

Solicitors.

215 BURGON, B.L.M.

TELEPHONE 3084/5.

GENERAL OFFICE

FROM HOUSE CHAMBER.

TEL. 3104-7

J.O. . Coulson, Esq.,
Messrs. Barton Laylew & Co.,
Chartered Accountants,
Alderman's House,
Bishopsgate,
LONDON E.C.2.

*National Commercial Bank Buildings,
Fraser Street.*

W/11

OUR REF. 6/2780/4

YOUR REF.

Inverness 26th April, 1965

Dictated 24th April, 1965.

MONO

Dear Sirs,

Mr. D.H. Lorraine.
Cadco Developments Limited
Royal Victoria Sausages Limited
Victoria Wholesale Meats Limited.

We have your letter of 20th inst., and are pleased to be of any assistance we can to you and your colleague in this investigation. It is quite true to say there is a good deal of confusion as to the actual beneficial ownership of Boleskine property and we learn now for the first time that it has appeared in the Cadco accounts as a Cadco Asset.

The position in so far as we are concerned is that this property was purchased by Mr. D.H. Lorraine, after it had been examined by his former wife, Mrs. Nellie Lorraine and a man Johnston, who then took the name of "Allan". The original instructions given to us by Mrs. Lorraine were that the title of the property was to be taken in her name, but that her husband would pay for it. We were not entirely satisfied and we telephoned Mr. Lorraine who stated quite definitely that the property was to be taken in his name as he was purchasing. The price of £5,000 was remitted to us by Mr. Lorraine's London agent, Mr. J. Duntley and the title was granted and still stands in the name of Mr. Lorraine.

It was stated to us that the intention was to erect pig houses on the Estate and to fatten pigs for slaughter and onward transmission to the Cadco Group Factory at Glenrothes for processing. We advised against this in that our view was that such feeding houses should be as near to the railway as possible. Nevertheless on the instructions received we floated a Company called Lochness Foods Limited, which was incorporated on 29th November, 1962. The original share-holders were:

Mr. D.H. Lorraine	-	760 shares.
Mrs. Nellie Lorraine		180 shares.
Mr. J. Feldon,		50 shares.

The Secretary was Mr. Feldon.

The/

J.O. J. Coulson, Esq.,28th April, 1965.

The first Directors were D.H. Loraine, Mrs. Hollie Loraine, Mr. J. Feldon and Mr. T.C.W. Roe and subsequently all the Directors other than Mrs. Loraine, resigned and all shares were transferred to her except 1 which was transferred to Mr. Johnson, who became a Company Director and Secretary.

In the meantime considerable funds were expended on alterations to Boleskine House and the erection of two pig-houses, of which one is still incomplete. Much of the cash for this work was advanced by Mr. D.H. Loraine and we understand that while cheques were drawn on Cadco Building Company and N.V.S. accounts, these sums were debited to Mr. Loraine's current account with these Companies.

You will probably be aware that Lochness Foods Limited went into liquidation last year and Mrs. Loraine and the son Johnson are living somewhere in the south of England.

This Estate lies near Foyers about 19 miles south west from Inverness and we have received instructions to advertise it for sale. Before doing so we wrote to the Liquidator of Cadco Building Company to ascertain whether in fact he was laying any claim to the Estate as such, pointing out the longer the Estate lies unoccupied and unused the greater will be the depreciation. We suggested that we should arrange for its immediate sale after which we could lodge the proceeds on Deposit Receipt pending clarification as to the person to whom these should be paid. We still think this is the proper course to adopt.

If there is any further information which you require perhaps you will kindly let us know and we shall do all we can to assist you. If necessary the writer would be quite happy to meet you to further discuss this matter.

We are,
Yours faithfully,



SCHEDULE I DOCUMENT 7

T. C. W. ROE c.s.c.

SOLICITOR

2, AV. DE LA RASUDE
LAUSANNE
VAUD, SWITZERLAND
TEL. 0210 29 29 22
TELEX 24, 217

CABLES: ROTOMANTROT LAUSANNE

YOUR REF.

MY REF. TCWR/nb

W.J. Godfrey, Esq.,
Accountants Division,
BOARD OF TRADE,
Hillgate House,
35, Old Bailey,
London, E.C.4.

17th April, 1964.

Dear Mr. Godfrey,

Cadco Developments Ltd.

I am writing with further reference to your letter received on the 16th March. If you feel that a meeting between Mr. McKee, yourself and myself would be desirable, I shall be going to Glenrothes the week beginning the 27th April and could see you there or in London.

The answers to your queries are as follows:-

1. The Cadco Group is owned by Cadco Investment Company N.V., which is a foreign Investment Holding Company with an issued capital of \$100,000 and which is financed principally by the means of shareholders' loans. The relevant English companies owned by the Investment Company are as follows:-

(a) Cadco Developments Ltd. This Company has an authorised and issued capital of £100, 96% of which is held by Cadco Investment Company N.V. The Directors of the Company are T.C.W. Roe, George Sanders, D.H. Loraine and the Marquess of Linlithgow, who has recently joined the Group as Managing Director of the Livestock Company and to take day-to-day charge of finance.

The Company was formed for carrying out property development in Great Britain, but now acts as H.Q. company in the United Kingdom. The Company has purchased the freehold of Royal Victoria Sausages Ltd. for the sum of £39,000 and which is now valued at £68,000. Royal Victoria Sausages Ltd. pays the Company a rent of £4,737 per annum. The Company has financed the purchase of Boleskine, near Inverness, which is to be used as a farrowing unit and is valued at £47,000. The Company has also recently purchased from Barry Ostler a factory at Kirkcaldy and equipped it for Cadco Building Co. Ltd. at a cost of £27,000.

It was intended that the Company should purchase some 100 acres of land at Partridge Green for development as an

Industrial Estate, but due to the failure of the Brussels negotiations and the desire of the Government to see new industries in the development areas, options were not taken up.

(b) Cadco Building Company Ltd. This Company has an authorised and issued capital of £100, 98% of which is held by Cadco Investment Co. N.V. The Directors of the Company are T.C.W. Roe, George Sanders, D.H. Loraine and David Black. The capital of the Company will shortly be increased.

The Company was formed to carry out all building activities of the Group and employs a team of Industrial Architects, skilled craftsmen and has plant and equipment worth £120,000. The Company has done all the building at Glenrothes under contract to the Development Corporation on a cost plus basis and will be responsible for all the building of the Group's Italian project, estimated at £27,000,000.

An agreement has been negotiated with the William L. Crow Construction Company of New York to carry out all further construction projects in Scotland on a joint venture, the Crow Construction Company supplying cash or guarantees for upwards of \$6,000,000.

(c) Cadco Livestock Ltd. This Company has an authorised and issued capital of £100, 98% of which is held by Cadco Investment Co. N.V. The Directors of the Company are T.C.W. Roe, D.H. Loraine and the Marquess of Linlithgow.

The Company has been formed to operate the farrowing unit near Inverness and a pig fattening centre for 20,000 pigs outside Glenrothes. This centre is being built by Cadco Building Co. and should be ready to receive the first weaners in May. It has equipped its pig unit at Inverness and has undertaken to provide the pig-feeding installation for its unit at Glenrothes, at a cost of £108,000, which is now being installed and nearing completion.

It is intended that this Company will supply companies within the Group with their full requirement of livestock and meat requirements throughout the year.

Provisional accounts for (a) and (b) are enclosed. Cadco Livestock Ltd. has started trading preparatory to the opening of the factories at Glenrothes. Cadco Developments Ltd. is the Company that will take the Conveyance (or feu) of the properties in Scotland and if a grant is made, will have a 30% equity in the properties with a 70% mortgage from the Glenrothes Development Corporation.

(d) Cadco Refrigeration Ltd. This Company has installed refrigeration equipment at Partridge Green, is responsible

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for the installation of refrigeration units in the factories at Glenrothes and is constructing the refrigerated trucks required for the Group's deliveries of frozen produce.

(e) Cadco Engineering Prototypes Ltd. This Company has a staff of high-class technicians and is responsible for the design, lay-out and construction of its Accelerated Freeze Drying Units in Glenrothes and later in Italy.

(f) Superfine Food Products Ltd. This Company has been formed to take over the Supermarket at Glenrothes which is now ready for opening. The Company will also be responsible for the AFD production.

2. The provisional accounts for the Investment Company to the 31st December 1963 are enclosed and these will give you the position of the finance made available to date to the various companies and the shareholders of the Company are, of course, prepared to make further funds available if and when required.

3. The following expenditure on plant and machinery is proposed:-

Royal Victoria Sausages Ltd.

for meat and sausage production	£40,000
---------------------------------	---------

Superfine Food Products.

Refrigeration and other equipment for supermarket	£20,000
--	---------

for an AFD and subsidiary production unit	£60,000
--	---------

Group transport	£50,000
-----------------	---------

	£170,000
--	----------

4. The estimate of working capital required for Royal Victoria Sausages Ltd. and Cadco Livestock Ltd. is as follows. It should be mentioned that all credit sales are sold to International Factors Ltd. who pay Royal Victoria Sausages Ltd. once per week, which reduces considerably the need for working capital.

Royal Victoria Sausages Ltd.

Initially, outside purchases will be required to augment supplies from Cadco Livestock Ltd., but as all credit sales will be sold to International Factors Ltd., the need for working capital can be restricted to	£110,000
--	-------	----------

./.

Cadco Livestock Ltd.

Taking into account the weight increase to feeding ratios of porkers, heavy hogs and baconers and allowing for an initial 8 - 10 week period without income, the working capital requires is	£100,000
		£210,000

5. The proposals for financing

(a) the cost of the Land and Buildings are as follows:-

- i. Board of Trade 25% grant now under consideration.
- ii. Glenrothes Development Corporation 70% mortgage at 7% for 21 years.
- iii. Cadco Investment Co. N.V. - 5% from its resources.

(b) Plant & Machinery. This will be covered by finance supplied by the Parent Company and partially by H.P. agreements, particularly for transport.

(c) Working Capital. This will be financed by the Parent Company and, as stated above, by International Factors Ltd. together with normal banking facilities.

(d) H.P. Agreements, Mortgage, etc. A statement is enclosed showing the profitability of the operation and from this you will see that there should be no difficulty in covering these outgoings. The profitability and sales figures have been calculated on a conservative basis.

Any funds made available by the Parent Company will be made by loans or guarantees (subject to the approval of the Bank of England) from non-sterling sources. Loans will be made at 6/7% interest.

The Royal Bank of Scotland has at present fixed a limit of £360,000 on the Building Company's account, which is fully secured by Parent Company and other guarantees. You can accept this letter as from the Parent Company confirming its willingness to make this finance available.

6. It is intended that Cadco Livestock Ltd. will run the piggeries as a separate entity selling their production to Royal Victoria Sausages Ltd. and Superfine Food Products Ltd. at agreed prices. Any surplus production will be sold on the market through Victoria Wholesale Meats.

Royal Victoria Sausages Ltd. will produce sausages, prepacks and hams and will be responsible for all contracts with schools, hospitals and wholesale catering establishments, etc., as at present. The AFD units are being installed and will be operated by Superfine Food Products Ltd.

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The Group is installing in South Italy factories for the processing of 200,000 tons of fruit and vegetables per year by the AFD process, which, allied with the meat processing in Scotland, will enable the Group to meet its catering contracts entirely. The project in Italy is in conjunction with the Italian Government agency, the Cassa del Mezzo Giorno.

I trust that the information supplied will assist you and I confirm that, if necessary, I am prepared to come to London or Scotland for further discussions.

Yours sincerely,

A handwritten signature in dark ink, appearing to read "Paul Be". The signature is fluid and cursive, with a large initial "P" and a stylized "Be" at the end.

ENC:

24

CADCO DEVELOPMENTS LTD

Anticipated Turnover and Returns

PIGGERIES

5'000 Porkers - 10 weeks period	60'000
5'000 Heavy Hogs 20/25 weeks period	100'000
5'000 Baconers 25/40 weeks period	150'000

Porkers per annum	300'000
Heavy Hogs per annum	200'000
Baconers per annum	<u>200'000</u>

Output per annum	£. 700'000
	=====

Minimum profit 30% say	£. 210'000
------------------------	------------

FACTORY

Processing Month 1	100 tons per wk	400	4 weeks
Months 2/4	150 tons per wk	1'900	13 weeks
Months 5/7	200 tons per wk	2'600	13 weeks
Months 8/10	300 tons per wk	3'900	13 weeks
Months 11/12	400 tons per wk	<u>3'600</u>	9 weeks

12'400 tons
=====

Minimum profit 7½d. per lb i.e. £.70 per ton	£. 868'000
---	------------

Subsequent years at 400 tons per week 20'000 tons output

Profit at £.70 per ton	£. 1'400'000
------------------------	--------------

SUPERFINE FOOD PRODUCTS

Anticipated Turnover per annum	50'000
Anticipated Profit	£. 7'500

./.

- 2 -

Profit from Piggeries	210'000	
Profit from Factory	868'000	
Profit from Supermarket	<u>7'500</u>	
		£. 1'085'500

Interest and repayments

Mortgage - £.1'000'000 at 7%	70'000	
Repayment	<u>50'000</u>	120'000
Bank : £.350'000 at 6%	21'000	
Repayment	<u>350'000</u>	371'000
Parent Co. : £.350'000 at 6%	21'000	
Repayment	<u>175'000</u>	196'000
		<u>687'000</u>
<i>Profit Remaining</i>		£. 398'000 =====

CADCO INVESTMENT CO N.V.

Investments list at 31.12.63

<u>Shares</u>	£.	£
690 -Ord. Royal Victoria Sausages, £. 13'800	38'697.05	13'820
9% Redeemable pref. shares Royal Victoria £.14'500	40'767.44	14'560
5000 Paraglas Ireland £. 1 (10% paid up)	1'411.63	824
97 -Ord. Cadco Development Ltd	52'735.20	18'834
95 -Ord. Victoria Wholesale Meats Ltd	266.—	95
97 -Ord. Cadco Building CO Ltd	271.60	97
97 -Ord. Cadco Electrics Ltd (formerly Partridge Green)	271.60	97
97 -Ord. Cadco Haulage Ltd (formerly Partridge Green)	271.60	97
98 -Ord. Cadco Engineering Ltd (formerly Partridge Green)	274.40	98
946 Andromeda Films Ltd	2'648.80	946
97 -Ord. Cadco Livestock Ltd	271.60	97
	137'886.92	49,245
<u>Loans</u>		
Unsecured loan 10% Royal Victoria £.223'790	526'612.00	223,790
Cadco Development Ltd £.76'863	216'323.36	77,258
TOTAL £.	980'822.28	353,293

28
65**CADCO DEVELOPMENTS LIMITED****FLEMINGTON ROAD · GLENROTHES · FIFE**

Telephone: Glenrothes 2131 (5 lines)

Telex 72936

Regd Office: STATION APPROACH · PARTRIDGE GREEN · SUSSEX

Telephone: Partridge Green 555 (5 lines) Telex 87135

DIRECTORS: T. G. W. ROE, CBE
GEORGE SANDERS · D. H. LORRAINE
SECRETARY: A. R. FLELDON, AICD

TOMR/JS

W. J. Godfrey, Esq.,
Accountants Division,
Board of Trade,
Hillgate House,
35 Old Bailey,
London E. C. 4.

5th June, 1964.

Dear Mr. Godfrey,

I am writing as promised at our meeting with you, Mr. Sutcliffe and the representatives of BOTAC on Wednesday 6th May to give you the additional information you asked for.

I think it will be clear if I refer to the numbered paragraphs of my letter to you of 17th April.

1. - Cadco Investment Company N.V.: This Company is owned as follows:

Cadco Investment Etablissement	33
Benitax Investment Co. N.V.	16
Spartaia Investment Co. N.V.	51
	100

There are options to sell two lots of 7% in the Company to the Marquess of Linlithgow and Mrs Margaret Elliot.

The investments of the Company are:

690	ordinary shares in Royal Victoria Sausages Ltd.	£ 38,697.05
96	redeemable Preference shares on R.V.S. Ltd.	40,767.44
5000	Paraglas Ireland £1 ordinary shares 10% paid up	1,411.63
97	ordinary shares in Cadco Developments Ltd.	52,735.20
95	" " " Victoria Wholesale Meats Ltd	266.--
97	" " " Cadco Building Co. Ltd.	271.60
97	" " " Cadco Electrics Ltd.	271.60
97	" " " Cadco Haulage Ltd.	271.60
98	" " " Cadco Engineering Ltd.	274.60
946	" " " Andromeda Films Ltd.	2,648.80
97	" " " Cadco Livestock Ltd.	271.60
	unsecured loan to R. Victoria Sausages	626,612.--
	" " " Cadco Developments Ltd.	216,323.36
		<u>£ 980,822.28</u>

The liabilities of the Company are:

Loan from Cadco Investment Etablissement	£ 344,012.12
" " Directors+Associated Companies	511,869.12
	£ 855,881.24

N.B.

Cadco Investment Etablissement belongs to Mr. George Sanders.

The Associated Companies that have made loans are:

Spartan Investment Co. N.V.	
Bemitax	" " " "
Bramfield	" " " "
Tipes	" " " "
Aiglon	" Etablissement
Allergo	" " " "

These Companies are either shareholders in Cadco Investment Co. N.V. or in Royal Victoria Sausages Ltd.

I confirm that no decision has yet been reached whether Bolenkine will be sold or used as a farrowing unit.

b) Cadco Building Co. Ltd. Discussions have, since our meeting, been held in Scotland with Mr. Ralph Crow of the William L. Crow Construction Company of New York as a result of which the American Company said they were very impressed by the project at Glenrothes and were keen to enter into a joint venture for further projects for approximately £6,000,000. The report was sent to their Board whose decision is awaited.

Photographs of the factory buildings and pig houses at Glenrothes and Kinglassie are enclosed.

2. - I confirm that by means of further direct loans in dollars or Swiss francs or by furnishing acceptable Bank guarantees, the parent Company and its shareholders accept the responsibility of providing the necessary additional funds required for

- completing the purchase of the properties at Glenrothes and Kinglassie
- Purchase of plant and machinery
- provision of working capital

I consider that the shareholders and associates of the parent Company have adequate resources to meet the Group's requirements under (a) b) c)) above.

4. - Working Capital

Some dubiety was expressed at the round sum of £100,000 stated as Working Capital requirements of Cadco Livestock Ltd. in my letter of 17th April. This is calculated as follows:-

Working Capital

Cadco Livestock Ltd.

10,000 Weaners @ £5	£50,000
Feeding (1st 5,000)	15,000
Wages and Salaries:	
Herdsman - 4 x £15 x 10 weeks	£600
Farm Manager 10 weeks	£400
Transport	2,000
Depreciation and Interest	7,500
Overheads	10,000
Contingencies	14,500
	<u>£100,000</u>

5. - The present bank situation is as follows:

Royal Victoria Saussages Ltd:

Royal Bank of Scotland overdraft	£ 44,000.--
Lloyds Bank Ltd.	10,000.--
	<u>£ 54,000.--</u>

These two overdrafts are fully covered by Swiss Bank guarantees.

Cadco Building Co. Ltd.

Royal Bank of Scotland overdraft	£450,000.--
This is covered as follows:	
Swiss Bank guarantees	£ 30,000.--
Guarantees of parent Company	
Directors and shareholders	£420,000.--

It has been agreed that this overdraft will be repaid as to £250,000 by 30th June, 1964 and the balance by £200,000 by 30th September, 1964 from progress payments due to the Company from Glenrothes Development Corporation.

6. - The trading results of Royal Victoria Sausages Ltd for the year ended 30th April, 1964, are as follows:

Sales		302,472
Purchases	149,381	
Stock at beginning	<u>93,745</u>	
	243,126	
Stock at end	<u>61,000</u>	182,126
Gross Profit 40%		120,246
Running Expenses	104,199	
Depreciation etc.	<u>10,000</u>	114,199
Net Profit		<u>£ 6,047</u>

The basis of calculation of the anticipated turnover of the Group in Scotland and its profit and loss is annexed to this letter.

During our meeting Mr. Sutcliffe expressed some concern that this forecast was over optimistic and it appeared that the Group was relying on these profits to meet its obligations for payment of mortgage interest and loan.

This statement was prepared and supplied to demonstrate that the Scottish project is a viable enterprise and one that should be capable of providing employment and growing to a large industry and not to demonstrate how we would pay interest and repay loans.

You will see that we have worked on a basis of taking 11 months to work up from 100 - 400 tons per week factory production. Sales have been or are being negotiated to schools, hospitals, catering establishments and both Smedleys and Lyons Maid are waiting for us to be ready to supply their requirements of prepacks and sausages for the retail trade.

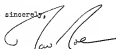
If turnover is not as high as forecast or profits lower we are fully confident of covering our obligations under the mortgage re £125,000 per year.

The Bank loan which we put in as an absolute maximum of £350,000 would be covered by guarantees and would probably be considered as a continuing facility. In effect the Bank loan will probably cover the working capital requirements and the plant and machinery requirements will be covered by the parent Company, who will not be expecting to be repaid during the first year.

7. - The capital of Royal Victoria Sausages was increased to £1200 on 30th August, 1962 and £43,500 9% Redeemable Preference Shares on 30th August, 1962. These transactions were carried out by adjustment of Loan Accounts and ~~did not appear in the financial records available to Mr. Moffat~~ *the conversion of debentures into Redeemable Preference shares.*

I will be in London from 8th to 16th June if you would like to have a further discussion with me. I can be reached at my London Office, 1 Old Burlington Street, W. 1, Tel. Regent 0727.

Yours sincerely,

A handwritten signature in dark ink, appearing to be 'T. C. W. Roe', written in a cursive style.

T. C. W. Roe.

Anticipated Turnover & Returns (YEAR 1)Piggeries

5,000 Porkers - 10 weeks period	60,000
5,000 Heavy Hogs 20/25 week period	100,000
5,000 Baconers 25/40 week period	150,000

Porkers Per annum	300,000
Heavy Hogs per annum	200,000
Baconers per annum	200,000
Output per annum	<u>£700,000</u>

Minimum Profit 30% say £210,000

Factory

Processing Month 1	100 tons per wk.	400	4 weeks
Months 2/4	150 " " "	1,900	13 weeks
Months 5/7	200 " " "	2,600	13 weeks
Months 8/10	300 " " "	3,900	13 weeks
Months 11/12	400 " " "	3,600	9 weeks
		<u>12,400</u>	tons

Minimum profit $7\frac{1}{2}$ d per lb.

i.e. £70 per ton £ 868,000

Subsequent years at 400 tons per week 20,000 tons output

Profit at £70 per ton £1,400,000

Superfine Food Products

Anticipated Turnover per annum	50,000
Anticipated Profit	£ 7,500

CADCO DEVELOPMENTS LTD.

Profit from Piggeries	210,000	
Profit from Factory	868,000	
Profit from Supermarket	7,500	
	<hr/>	£1,085,500

Interest and Repayments (YEAR 1)

Mortgage:- £1,000,000 @ 7½%	70,500	
Repayment	50,000	
	<hr/>	120,500
Bank:- £350,000 @ 6%	21,000	
Repayment	350,000	
	<hr/>	371,000
Parent Co:- £350,000 @ 6%	21,000	
Repayment	175,000	
	<hr/>	196,000
		687,000
		<hr/>
		<u>£398,000</u>

Statement of ProfitabilityCadeo Livestock Ltd. (Piggeries)

Cost of Weaner (40 lbs)	£5. 0. 0
Cost of Feeding (40 -120 lbs)	3. 0. 0
Wages and Overheads per animal (say)	1. 0. 0
	<hr/>
	9. 0. 0
Selling Price:- 120 lbs @ 2/6	15. 0. 0
	<hr/>
Net Profit (40%)	6. 0. 0

Anticipated Profit restricted to 50%

Royal Victoria Sausages Ltd. (Factory)

It is known that 50% gross profit can be earned on Meat Processing so that from a restricted average gross profit of even 1/3 per pound weight, at least 6d can easily be allowed to cover all running costs and expenses leaving a net profit of 9d per pound weight.

Anticipated Turnover (1st Year) = 12,400 Tons

* . . Allowed for Costs and Expenses - 12,400 x 2240 x 6d = £694,400

We have anticipated a profit of only 7½d per pound so that a drop of 1½d per pound of gross profit or an increase of 2% on expenses would not upset the forecast adversely.

ISTITUTO PER L'ASSISTENZA ALLO SVILUPPO DEL MEZZOGIORNO

VIA COLLINA 27 - TELEFONO 482.901 - INDIRIZZO TELEGRAFICO I.A.S.M. - ROMA



January 14, 1964

A 290

CADCO ITALIANA SpA
Via Tagliamento, 14

ROMA

Dear Sirs,

We refer to the assistance we are granting you for the initiative you are planning to realize in Southern Italy.

1. We wish to remind you that from the first day we gave you a form, written in English, which, if filled in even partially, and handed to us, would have greatly facilitated and speeded up our task. Though we did not receive the completed form, we succeeded in stating the financial and technical-economic aspects of your initiative.

2. Therefore, we are at present in a position to hand in a financing request, with all the technical and economic information which must accompany the request, so as it may be taken into due consideration by a Special Credit and Financing Institute.

3. On November 11, 1963, we sent you a letter signed by our President, requesting references from an outstanding Italian bank. Such references are of great interest for the Special Credit and Financing Institute since you must prove to be a group owning adequate capitale, such to face the commitments ensuing from an important industrial investment. We have not as yet received such documentation.

4. At this point - i.e. with a project sufficiently worked out to be submitted to the attention of the Special Credit and Financing Institute - it is deemed indispensable and undelayable the supplying of a valid bank documentation on your group dealing with the real availability of funds you dispose for the realization of your project.

./.



5. Your total investment, - according to the evaluations and data received from your representatives, - will reach the amount of Italian lire 5,960,000,000.- In this respect, therefore, you must prove to own, freely available, Italian lire 2/2,400,000,000 for going ahead with the project.

6. We wish to stress once again that we are asking for such documentation in your own interest. Should we fail to receive it, our Institute must clearly admit, even if with great regret, that it cannot follow out the further development of your initiative.

Looking forward to your reply, we are

Sincerely yours,

Antonino IZZO
Capo Servizio Assistenza
Antonino Izzo

IZ/pt

SCHEDULE I DOCUMENT 10

T. C. W. ROE C. S. E.

SOLICITOR

2, AV. DE LA HARUVE
LAUSANNE
VAUD, SWITZERLAND
TEL. 1960 88 88 88
TELEX 88117

CABLES: ROFORMANTMENT LAUSANNE

YOUR REF.

MY REF. TCWR/nb

D.H. Lorraine, Esq.,
Cadco Developments Ltd.,
Flemmington Road,
Glenrothes,
Fife.

16th January, 1964.

My dear Dennis,

With reference to our discussion yesterday, I enclose a copy of the letter that I have today written to Paravicini, with a copy of the memorandum that I have asked him to send to Dr. Morelli which I hope covers all the points we discussed.

I confirm that Pixie and I leave for London on the 26th January arriving at the Hyde Park Hotel on the early afternoon of the 27th. I am planning to come up to Glenrothes on the 4th February, returning the following afternoon, but as you say, we must meet very soon, as there is a great deal to discuss and get clear on the finance side. Could we meet, therefore, at the Hyde Park Hotel on the afternoon of the 27th January, or if it would suit you better to come back through here after Rome, we shall be here until the Sunday evening.

Yours ever,

(Signed in TCWR's absence)



SCHEDULE I DOCUMENT 11

TCWR/nb

Mr. J.F. Peravicini,
c/o Finac A.G.,
18, Waaghausgasse
BERNE

16th January, 1964.

My dear Freddy,

I was nice to talk to you again yesterday and I look forward to seeing you in Berne on Thursday, the 23rd January. I shall come on to you after I have left the Police office and should be with you around 11.30 a.m. Would you let me know where to meet you.

I am not sure how much I told you about Cadco's plans in Italy, but it is intended to set up six factories in South Italy, with the various concessions granted by the Cassa per il Mezzogiorno, for the production of advanced dry frozen vegetables by the new Vickers Armstrong process for exporting to England and the plan has been approved by the Cassa per il Mezzogiorno for six factories to produce 200,000 tons per year. The approved plan is now with the various Banks who have the option to put up the necessary funds which are for the first phase of the plan, which is for 14,000,000. The Banca Commerciale seems to handle the finance side of this as Agents for the Institute and Dr. Morelli of the Central Office of the Banca Commerciale in Rome has asked us, through our Bankers, to let him have a memorandum on Cadco and the people behind it, for as he said to Loreine with some truth, a report that Cadco is a Curaçao Company, with a Notary in Curaçao and an Advocate in Leusanne as Directors and a film star as a shareholder does not really give them enough information on the Company. I have therefore drafted a memorandum, which is purely factual and as you know much more about the Company and the people behind it than anyone in the Crédit Suisse at present, I should be most grateful if you would send a copy of this by express to Dr. Morelli, explaining that you were, until recently, the Director of the Crédit Suisse and that when you are established and operating, the Company will be banking with you. I should be grateful if you could send this on at once, as this will help to speed matters up considerably.

Yours ever,

Cadco Group

1. History and Personnel.

The Cadco Group was founded by Mr. George Sanders, the well-known cinema star, who is domiciled in Switzerland and Mr. Thomas C.W. Roe, C.B.E., who is an International Lawyer and President of the Rotuman Group of companies, amongst which is Rotuman Service S.A., a company which specialises in advice on the setting up of companies for business in Europe, provides an administration for such companies and handles all financial matters for them. Rotuman Service currently administers over 70 companies operating on the Continent of Europe and amongst these administers the Cadco Group. An extract from a Swiss paper on Mr. Roe is annexed. Mr. D.H. Loraine, who is Managing Director of the Group and who founded Royal Victoria Sausages Ltd. (the only company allowed to be formed with the word "Royal" for nearly 40 years) is an expert on food production and has made a special study of pre-packed and frozen foods and recently of the most modern processes for advance dry freezing of foods.

2. Corporate structure.

(a) Cadco Investment Co. N.V. is an Investment Holding Company constituted in Curaçao in the Netherlands Antilles in 1960 and has an issued capital of \$100,000 and loans from shareholders amounting to \$400,000. The Directors of the Company are Mr. Roe and Dr. A.A.G. Sneets, a Notary in Curaçao and the shareholders are Mr. & Mrs. George Sanders, the Marquess of Linlithgow, Mr. Roe and Mr. Loraine.

(b) Cadco Investment Co. N.V. holds the controlling interest in the following companies in the United Kingdom:-

(i) Royal Victoria Sausages Ltd. A company with an issued capital of £45,000 which was founded by Mr. D.H. Loraine, who is the Managing Director. This company is one of the leading suppliers of pre-packed meats and sausages in the United Kingdom and does a large turnover supplying hospitals and schools in the United Kingdom.

(ii) Cadco Developments Ltd. which was formed in the United Kingdom to coordinate all the Group's activities there and is currently carrying out a large project in the New Town of Glenrothes in Scotland, where, with Government backing, it is putting up three factories for the production of pre-packed meats and full meals, with special reference to hospitals and schools. This company is managed by the Marquess of Linlithgow and Mr. D.H. Loraine, together with Mr. T.C.W. Roe.

(iii) Cadco Livestock Ltd. This company has been formed to create and run a pig-fattening centre for 20,000 pigs in Scotland under the management of the Marquess of Linlithgow.

(iv) Cadco Building Co. Ltd. This company was formed to carry out all the Group's specialised construction, with special reference to refrigeration and insulation. The Company has a strong team of Architects and other technicians and has also earned a very good reputation in Scotland.

(v) Cadco Refrigeration Ltd.

(vi) Cadco Haulage Ltd.

(vii) Superfins Foods Ltd.

(viii) Victoria Wholesale Meats Ltd.

These companies are all fully owned subsidiaries of Cadco Investment Co. N.V. and have been formed for carrying out subsidiary tasks of the Group.

3. Italy.

Cadco Italia has recently been formed with Messrs. Sanders, Roe and Loraine as shareholders and will become a subsidiary of Cadco Investment Co. N.V., with Messrs. Sanders, Roe and Loraine as Directors. This company, with the aid and support of the Italian Government, intends to construct six or more factories in different parts of South Italy for the treating of all types of vegetables by the Vickers Advanced Dry Freezing process, with the intention of exporting initially the full production of 200,000 tons per year to the United Kingdom for providing with the meat produced and processed the complete meal.

It is hoped to commence construction of the first factory at once and to build the other five factories as soon as possible.

4. European market.

Negotiations have already been started for the export of the Group's products to various European countries and as soon as firm delivery dates can be given, such negotiations can be concluded.

16th January, 1964.

SCHEDULE I DOCUMENT 13

C. W. ROE c. s. s.

SOLICITOR

2. AV. DE LA RABODE
LAUSANNE
VAUD, SWITZERLAND

TEL. (021) 84 00 00

TELEX 84 817

CABLES: ECHOMANTOUR LAUSANNE

YOUR REF.

MY REF. TCWR/ma

EXPRESS

Mrs. Margaret Elliot,
Villa del Mar,
Camp del Mar,
Palma,
Majorca.

2nd September, 1964.

Dear Margaret,

CADCO and R.V.S.

Forgive my for trying to plague you by telephone from here but I wanted to let you know that Denis had come and gone and is now in England and also to confirm to you that he and I were still the closest friends and allies and at same time to give you a picture of what has been and is happening. I wanted to let you know that if you wanted me to fly to Palma to give you facts and figures, I would do so and of course still will.

The following will give you I hope an accurate and up to date report.

1. Cadco Investment Co. Denis holds 35% and I hold 16% through our family Investment Co. "Spartaia Investment Co., N.V." and Spartaia holds Denis shares on a declaration of Trust for U.K. exchange control reasons. The Sanders hold 49% between them and as you know you have an option to take up 7% for £20,000 and for reasons given below, I think you should take this up.
2. Cadco Scotland. The position here is that the Building Company has almost completed the factory buildings and the first 100 pigs moved in last week to the march of the gladiators.

There is less than £50,000 worth of work to be done and limited production will be started in October working up to full production over 6/8 months.

The organisation in Scotland will be as per the enclosed chart from which you will see that Cadco Developments Ltd. will be the U.K. parent company having Cadco Haulage Ltd., Cadco Livestock Ltd., and Superfine Food products as fully owned subsidiaries. I also enclose the detailed capitalisation

cont'd ../..

Mrs. M. Elliot, Palma.

2nd September, 1964.

and profitability figures from which you will see that it is intended to raise a capital of £1,800,000 and this gives a group nett profit of £1,188,804 which is a very high nett profit by any standards.

The figures have been drawn up on a very conservative basis and you will see how 1 d. per pound off meat raises the net profit by £228,000 per year! If Denis' arrangements for meat imports from S. America work out, this could make a very great difference to the profit.

The Merchant Banks have already agreed to put up over a million pounds towards the £1,800,000 required but the present policy is to try to get 18 shareholders of £100,000 each so no-one is dominant. Cadco should have £200,000 of Founders shares which will give it voting control with say 10 votes per share. The long-term policy is to float Cadco Developments Ltd. as a public Company in 3 years and we feel the price should be £20 per share so £100,000 stake should be worth £2 million.

The Board have for some months been worried about the enormous amount Denis has been trying to do personally - Cadco Italy, Cadco Scotland, Anglo-Italia and Royal Victoria and a project such as Glenrothes must have a resident Managing Director on the job full-time. I have been in touch for some months with Peter Clayton, who has been very keen to join the Group. We interviewed him at a Board Meeting and Denis met him once briefly. He had his own business in the bakery field which he sold to General Food Corporation and joined them as Export Manager in the U.K.

He told me he had at the end of July to decide whether to go on for five years or get out and if he could join Cadco in Scotland he would get out. On 31st July I engaged him to go to Scotland to see for himself decide and if agreed to join us as soon as possible. His personality is that of a very bustling bulldozing salesman very blunt no diplomacy but a first class administrator and salesman and a good knowledge of finance and economics. No-one I (or Denis) would wish to find on the same yacht.

He reported to the Board on the situation in Scotland and frankly his tactics (very old ones) were to decry Denis and everything he had ever done, to work in the Sanders and scare them. He behaved very badly to start with in Scotland and caused a good deal of alarm and despondency and I myself went

cont'd ..//..

Mrs. M. Elliot, Palma.

2nd September, 1964.

there for nearly two weeks to steady the ship and point everyone in the right direction. I should mention that Peter Clayton is also adviser to the Merchant Banking House of Blythe Greene and Jourdain who want to invest a million pounds in a U.K. food production company.

It was rapidly clear that his tactics were to denigrate all that had been done even to the point at one stage of saying the Building Company had made a large loss and should at once be liquidated leaving the Glenrothes Development Corporation to finish the buildings and then Blythe Greene and Jourdain would step in having wiped out Cadco. Too easy !

It is true that the building company has had problems for the following reasons :-

- (a) The Development Corporation have (in my view deliberately) underpaid us on progress payments by £150,000/£175,000 which even the Quantity Surveyor now admits is due to us.
- (b) The building Company has paid for a lot of plant machinery-equipment for the production companies and this amount of nearly £200,000 must soon be reimbursed to the Building Company.

Once these sums are paid the Building Company will be on a thoroughly sound basis and has built at a profit. We now have an excellent Building Manager who thinks the Company has a very bright future in Scotland. We also have a first class joinery factory, which has a lot of work on its hands.

The A.F.D. (Accelerated Freeze-drying) plant when installed will be the first commercial A.F.D. meat production in the world and should be a prototype to show to the many Overseas Governments and companies who are interested in A.F.D. This will not be in production for at least 6/8 months.

To sum up Scotland is a very exciting project and will (distinguished visitors say) constitute the finest group of food producing units in Great Britain with the world's largest pigery.

All this is Denis dream , plan and conception and his drive, enthusiasm and imagination launched it and it is now for more ordinary mortals to come in and administer it and I think the

cont'd *.../..

Mrs. M. Elliot, Palma.

2nd September, 1964.

James Clayton to Denis
planning and launching phase of an operation are the ones for Denis to concentrate on in future. He and Clayton would never work happily alongside one another and Jim McKee being so completely loyal to Denis was not some-one who could work under Clayton and he will in future be with Denis.

If you or friends are interested in buying further shares in Cadco Developments at par, let me know. We want to stick to units of £100,000.

3. Royal Victoria Sausages. This company has always been Denis special baby as he was the founder. He has a good small factory in Sussex but since the Scottish project started it has been rather the poor relation and has been neglected. Denis now has plans to revitalise it and work it in conjunction with the meat production factory in Italy as a group. This will be outside Cadco but if it were desired to merge at a future date it could be done. Denis has had £100,000 from R.V.S. for Italy and other projects and this is the money he is asking you to lend to R.V.S. as I have been compelled to put the pressure on him for repayment and this money is urgently needed. It would help me a great deal as Chairman and finance Director in planning to know whether you could make it available in London or Switzerland shortly. If Lausanne it could go to my clients account with Union de Banques Suisses, Lausanne.

Our Engineers say that R.V.S. should be able to make a profit of £100,000 per year which for a small unit is very good.

4. Cadco Italiana. The position is that Land has been bought in Latina and Metapunto and the Italian Government have approved the project. I confirm that you have a 20% interest in this Company which should in the near future swing into operation.

5. Meat processing factory in Italy. Denis has negotiated the purchase of this factory for \$50,000 dollars- it is worth about \$2,000,000, I understand. The purchase is due to be completed in ten days time and the factory is virtually ready to start. Denis and I are going to organise this together and at present our inclination is to do it outside Cadco Italiana and with the meat imports Denis has arranged this should be a very paying project. If you would rather have your 20% interest in this Company please say so and we could arrange it.

cont'd ..//..

Mrs. E. Elliot, Palma.

2nd September, 1964.

6. Anglo-Italia Films. You are entitled to 20% per cent interest in this Company which has made as its first film "The Mirror of Death" or "Get my love with a gun". The film is very nearly ready and as soon as a print is delivered distribution contracts will be made and the Company will start getting its investment back and other properties have been bought and Denise has plans for other co-productions. The Company should have a bright-future.

I am sorry this has been such a long letter but there is a lot of ground to cover and I hope it is helpful.

With best wishes,

Yours sincerely,

A handwritten signature in dark ink, appearing to be 'T.C.W. Roe', with a stylized flourish at the end.

T.C.W. Roe

ENCL :

SCHEDULE I DOCUMENT 14

26.8.64.

CANCO DEVELOPMENTS LTD.

PROFITABILITY STATEMENT

INCOME

Management - Charge to Subsidiaries	£102,694	
Interest on Initial Deposit	<u>4,045</u>	106,739

EXPENDITURE

Total Salaries (Less Revenue)	51,100	
Fixed Costs excluding depreciation	3,125	
Variable Costs	33,500	
Depreciation and Write-off	<u>4,700</u>	<u>92,425</u>
NETT PROFIT		<u>£ 14,314</u>

CONTRIBUTION FOR MANAGEMENT FROM SUBSIDIARIES

Revenue Ex Canco Haulage (2.4%)	2,465	
Revenue Ex Canco Livestock (8.0%)	8,216	
Revenue Ex Superfine Foods (89.6%)	<u>92,013</u>	<u>£102,694</u>

ESTIMATES OF SUBSIDIARIES PROFITABILITY

Canco Haulage	65,342	
Canco Livestock	77,459	
Superfine Foods	<u>1,031,689</u>	<u>£1,174,490</u>

FINAL PROFIT STATEMENT

Revenue from Contribution to Management and Interest charged on Initial Investment	14,314	
Subsidiaries Profit	<u>1,174,490</u>	<u>£1,188,804</u>
GROUP NETT PROFIT		<u>£1,188,804</u>

CADCO DEVELOPMENTS LIMITED

FLEMINGTON ROAD • GLENROTHES • FIFE
 Telephone: Glenrothes 206 (3 lines) Telex 72106
 Regd. Office: STATION APPROACH • PARTRIDGE GREEN • GOSBEX
 Telephone: Partridge Green 555 (5 lines) Telex 37155

DIRECTOR: T. C. W. ROE, C.B.E.
 GEORGE SANDERS, B.Sc., F.R.I.C.
 SECRETARY: ~~XXXXXXXXXX~~
 J.C. Braidwood, C.A.

BPC/1W

H.J.M. Cook, Esq.,
 C/O Gray Dawes & Co., Ltd.,
 40 St. Maryaxe
 LONDON, E.C.3.

25th
 August,
 1964.

Dear Mr. Cook,

I am writing to you at the request of our chairman Mr. T.C.W. Roe, C.B.E. who I understand has been in touch with you to-day. The following is a brief outline of the Cadco Group in Scotland.

I would like to add that I myself joined the Company only a few weeks ago at the request of the shareholders in order to investigate the position of the company which was rather hazy.

Cadco Developments Ltd., contracted in 1963 with the Glenrothes Development Corporation for the Building of a Meat Processing Factory and separate piggeries in Glenrothes, Pifeshire. This area is a classified development area. In view of the highly specialised type of buildings required for such a project we persuaded the Development Corporation to let us do our own building. We therefore formed Cadco Building Co. Ltd., to build the factoriss and piggeries as Contractor to the Glenrothes Development Corporation, who on completion, would hand it over to Cadco Developments Limited on a long term mortgage.

It was agreed (mistakenly as it turns out), that one Quantity Surveyor should work jointly for the Corporation and the Building Company on the basis that certificates of work done would be presented to the Development Corporation on a monthly basis and the Building Company paid for work done. Unfortunately the junior clerks put on the job by the Quantity Surveyors have definitely undermeasured and we have been underpaid to date by about £150,000. This is not too serious, since as soon as the buildings are completed the Surveyors must remeasure everything and give certified statements of the value etc. That latter job would be done by a qualified team so that any underpayment would be revealed then and made good.

However, we badly need the £150,000 and its shortage has caused us acute embarrassment. Further considerable amounts of money from the Building Company have been utilised for travel and expenses for the Italian Project which is currently being negotiated/

H.J.M. Cook, Esq., 40 St. Maryaxe, LONDON. E.C.3.

/negotiated with the Italian Government. This money is 'quite' good but there will be some delay in getting it back. This money was in fact utilised with the entire knowledge of the Board who had they known might have obtained the funds from other sources for the same utilisation.

The situation at the moment is, that whilst when taking into account the agreed underpayment of £150,000 the Building Company is solvent and has made a small profit on the building work to date, there is an acute shortage of cash. This I first discovered and reported to Board after my first exploratory visit here, but it has now become very serious. There are many building creditors for materials supplied and work done and these must be paid to keep the building going. We are within a stone's throw of completion and there is no more than £50,000 of work to be done.

Since the estimate of the building by the Surveyors is fairly accurate, £1,100,000 and we have received about £750,000 to date you will be able to spot the underpayment immediately. As soon as the Building Company is out of its present crisis I will be proceeding to call in the promises of investment in the Cadco Developments, which have been promised.

Cadco Developments Limited will be the parent company, and will have three operating subsidiaries.

- 1) Cadco Livestock Limited will operate the Piggeries
Pigs arrived to-day with great press coverage and the total piggery population will eventually be 20,000 weaners
This makes it four times larger than the next biggest unit in Britain.
- 2) Cadco Haulage will operate as a Haulier for the Group.
- 3) Superfine Food Products Limited will be the largest unit and will operate the factories. This will do all food processing including bacon and sausage manufacture. It will be the largest single unit meat factory in Britain.

Full prospectuses and capitalisation plans etc. are being completed and will be available to you before the end of this week. A brief summary of the figures is attached.

It is provisionally proposed that Cadco Developments Ltd. will hold all the shares of the subsidiaries and actual investments will be in Cadco Developments Ltd. only.

With/

With regard to the Building Company this will be reviewed when the present contract is completed. Auditors are at present doing the accounts which should be ready next week. The Building Company should have a bright future as many firms and local authorities want us to do work for them and the excellent Joinery Works at Kirkcaldy is full of work already. Rest assured that any future work will be carefully costed etc. before we proceed.

The question of Royal Victoria Sausages Ltd., in Sussex and Cadco Italia in Rome will also be reviewed very shortly.

A copy of this letter is being telexed to Mr. Roe in Lausanne and he will doubtless be in touch with you immediately. I am at your disposal for any future information you require and remain,.

Yours faithfully
for CADCO DEVELOPMENTS LIMITED,



B.P. Clayton
Managing Director.

CADCO DEVELOPMENTS LIMITED

DRAFT CAPITALISATION AND PROFITABILITY TABLE

Subsidiaries

	<u>Capital</u>	<u>Est. Ann. Profits</u>
Superfine Food Products Ltd.	£ 1,108,100	£1,031,689
Cadco Livestock Ltd.	£ 264,788	£ 77,459
Cadco Haulage Ltd.	£ 271,175	£ 65,342
	<hr/>	<hr/>
	£ 1,644,063	£1,174,490
Holding Company	£ 169,862	10,269
	<hr/>	<hr/>
Total for CADCO DEVELOPMENTS LTD.	£ 1,813,925	£1,184,759
	<hr/>	<hr/>

SCHEDULE I DOCUMENT 16

CADCO DEVELOPMENTS LIMITED

FLEMINGTON ROAD • GLENROTHES • FIFE
 Telephone: Glenrothes 2331 (3 lines) Telex 72106
 Regd. Office: STATION APPROACH • PARTRIDGE GREEN • SUDSEX
 Telephone: Partridge Green 555 (3 lines) Telex 57155

DIRECTORS: T. C. W. ROE, CBE
 GEORGE SANDERS - ~~XXXXXXXXXX~~ D. P. Clay
 SECRETARY: ~~XXXXXXXXXX~~
 J. C. Braidwood C.A.

1st September, 1964.
 BPC/EM

H. J. M. Cook Esq.,
 Gray Dawes & Co. Ltd.,
 40 St. Mary Axe.,
LONDON, E.C.3.

Dear Mr. Cook,

The auditors have produced a draft balance sheet today, to 30th April last, and are pressing on with the figures to the end of August. There is no substantial change in the position as far as I know, but I will make the figures available to you as soon as I can.

I enclose an extract of their balance sheet. I have the following comments to make.

Cadco Developments.

It has been necessary to purchase a great deal of equipment etc., for use in the factories and piggeries, in advance, and as the operating companies were not capitalised, these were purchased by the building company. We have provided in our capitalisation figures, a copy of which I gave you yesterday, for the repayment to Cadco Building of these sums.

Cadco Italia

I expect to have audited accounts shortly from Rome. The most part of the debt is for land purchased there.

Royal Victoria Sausages and Victoria Wholesale Meats.

It has been agreed that Mr. Denis Loraine take over this group again, and Mr. Roe has advised me that he has seen Loraine and has inspected excellent guarantees to R.V.S. for cash. These are from friends of Mr. Loraine, and total around £1 million. Of course, Loraine has undertaken to repay the debts to us as soon as this is effective.

Other Debts.

We hold a large plot of land at Boleskine in respect of a customer now in liquidation (i.e. the debt shown). Although we have no valuation we are of the opinion that the land will more than cover pay their debt, and we will repay the balances when the sale is made.

Profit and Loss Account.

As mentioned in my letter of 25th August, the repayment of the undermeasurements will wipe this off.

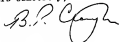
General

The situation here is rather desperate because of the extreme mismanagement of my predecessor. Whilst the money has been well invested in the various ventures, there was complete blindness as to how the withdrawal of the cash would affect the present project.

In putting this matter to your colleagues, I would be grateful if you would place my letter of 25th August before them as well.

I look forward to hearing from you, and remain

Yours sincerely,



B. Peter Clayton.

CADCO BUILDING CO. LTD.

Extract from Balance Sheet at 30th April, 1964.

Assets.

Factory premises, plant, vehicles,
tools, furniture, equipment, all
net after depreciation £ 37, 336

Pre-expenditure on behalf of CADCO
DEVELOPMENTS LTD., and its three
operating subsidiaries, as per the
capitalisation statement of 31.8.64.
It has been provided in the capitalisation
statement for the repayment by C.Developments
to Cadco Building of this amount viz: £ 196, 655
This figure is machinery, mainly, purchased
now for future use.

Pre-expenditure and purchase of land for
CADCO ITALIA. £ 52, 154

Amounts owing by Royal Victoria Sausages
and Victoria Wholesale Meats. Recovery of
the debts would be doubtful, but Mr. Roe has
received good undertakings of repayment from
acceptable guarantors. £ 119, 535

Other debts for which we are holding physical
assets and land/buildings, which, however are
currently unvalued, but believed good to the
amount of the debt, which is £ 13, 467

Current Assets

Stock	£ 16,880
Rentention Monies	£ 29,641
Sundry Debtors	£ 28,974
Cash	£ 306
Profit & Loss account balance	£ 93,398
	<hr/>
	£ 588,346

Liabilities

Issued Capital (now increased)	£	2
Loan from Mr. Roe	£	25,000

Current Liabilities

Building Creditors	£	119, 378
Sub Contractors	£	49, 230
P.A.Y.E.	£	4, 798
H.P. ON vehicles	£	1, 329
Debt to Mr. Roe for Building Materials purchased overseas and paid for by Mr. Roe	£	14, 647
Accrued Charges	£	12, 909
D.H.Lorraine account (now owing <u>to</u> the company)	£	2, 200
Bank overdraft, fully guaranteed	£	358,852

£	588, 346
---	----------

SCHEDULE I DOCUMENT 17

9

Royal Victoria Sausages LimitedDraft Trading and Profit and Loss AccountFor the Year ended 30th April, 1963

Sales			£396,565. 6. 2
Deduct:-			
Purchases	256,218. 15. 6		
Wrapping Materials	12,939. 11. 0		
	269,158. 6. 6		
Stock 1.5.62	21,341. 15. 1		
	290,500. 1. 7		
Less:- Stock 30.4.63	93,745. 0. 0		
		196,755. 1. 7	
Gross Profit (50.4%)		199,810. 4. 7	
Deduct:-			
Wages	92,759. 0. 8		
Advertising	8,153. 2. 4		
Motor Expenses	14,960. 3. 10		
Rent and Rates	1,132. 17. 3		
Telephone and Telex	2,475. 15. 9		
Printing and Stationery	3,578. 17. 10		
Light, Heat and Power	3,382. 18. 8		
General and Motor Insurance	5,235. 13. 1		
Laundry, Cleaning and Canteen	3,802. 6. 4		
Travelling and Entertaining	3,317. 19. 6		
Repairs and Replacements	3,819. 9. 1		
Repairs to Premises	607. 12. 0		
General Expenses	1,525. 15. 5		
Discount Allowed	5,413. 9. 3		
Bank Interest and Charges	2,321. 13. 4		
Professional Fees and expenses	1,391. 3. 6		
Hire Purchase Charges	221. 8. 8		
Factoring Charges	6,615. 11. 0		
		160,714. 17. 6	
		39,095. 7. 1	
Director's Remuneration	4,000. 0. 0		
Debenture Interest (gross)	3,915. 0. 0		
Mortgage and Loan Interest (gross)	18,383. 10. 4		
Loss on Sale of Vehicles	731. 0. 0		
Depreciation:			
Motor Vehicles	9,328. 15. 4		
Plant and Machinery	9,822. 4. 2		
Furniture and Equipment	240. 11. 11		
	19,391. 13. 5		
	46,421. 3. 9		
Less: Administration Charges			
Cadco Developments Ltd.	7,500. 0. 0		
Victoria Wholesale Meats Ltd.	1,200. 0. 0		
	8,700. 0. 0		
		37,721. 3. 9	
Net Profit		£ 1,374. 3. 4	

Royal Victoria Sausages LimitedDraft Profit and Loss AccountFor the Year ended 30th April, 1963

Balance brought forward at debit	£130,316. 2. 1
Income Tax	<u>78. 13. 1</u>
	130,394. 15. 2
Less:- Net Profit for year	<u>1,374. 3. 4</u>
Debit Balance carried forward	£129,020. 11. 10. *****

Royal Victoria Sausages Limited

Draft

Balance

As at 30th

<u>Share Capital</u>	200		
Authorized and Issued			
1000 shares of £1 each fully paid		1,000.	0. 0
<u>Share Premium Account</u>		950.	0. 0
<u>9% Debentures</u>	1,000,000 - 50,000.	43,500.	0. 0
Interest Thereon		<u>7,425.</u>	<u>6. 1</u>
		50,925.	6. 1
<u>Loans and Mortgages</u>		273,506.	7. 0
Interest Thereon		<u>20,263.</u>	<u>14. 2</u>
		293,770.	1. 2
<u>Bank Overdraft</u>		30,615.	0. 7
<u>Sundry Creditors</u>		28,020.	19. 6

£405,281. 7. 4

Sheet

April, 1963

Fixed Assets

Freehold Property and Improvements at Cost	39,510. 6. 4	
Leasehold Property and Improvements at Cost	4,365. 7. 2	
Office Furniture - at Cost	1,927. 4. 5	
Less: Depreciation to date	<u>621. 4. 5</u>	1,306. 0.0
Motor Vehicles - at Cost	37,290.15. 5	
Less: Depreciation to date	<u>16,120.15. 5</u>	21,170. 0.0
Plant and Machinery - at Cost	49,624.13. 3	
Less: Depreciation to date	<u>23,808.13. 3</u>	25,816. 0.0
Sundry Equipment	4,000. 0.0	
Garage and Garage Equipment	939.10 .3	
		<hr/> 97,107. 3. 9

Associated Companies

48,302. 3. 4

Current Assets

Stocks and Stores	98,945. 0.0	
Sundry Debtors	31,495. 4.11	
Cash in Hand	<u>411. 3.6</u>	130,851. 8. 5

Profit and Loss Account

129,020.11.10

£405,281. 7. 4

SCHEDULE I DOCUMENT 18

CARD DEVELOPMENTS LTD

Balance Sheet as at 29th February 1964

<p><u>Share Capital</u></p> <p>Authorized : 100 shares of £.1 each:£.100 =====</p> <p>Issued : 2 shares of £.1 each fully paid 2</p> <p><u>Loans from parent Company</u> 76'863.-</p> <p><u>Due to Associated Companies</u> 71'171.-</p> <p><u>Sundry Creditors</u> 221.- ----- 148'257.- =====</p>	<p><u>Fixed Assets</u></p> <p><u>Freehold Properties at cost</u> Partridge Green, Sussex Boleskine, Inverness 40'000 35'000 ----- 75'000.-</p> <p><u>Due by Associated Companies</u> 52'026.-</p> <p><u>Sundry Debtors</u> 1'460.-</p> <p><u>Bank</u> 18.-</p> <p><u>Profit & Loss account</u> 19'753.- 148'257.- ----- =====</p>
<p><u>Profit & Loss A/C</u></p> <p>£.</p> <p>Travelling expenses 9'509.-</p> <p>Professional Fees and expenses 7'225.-</p> <p>Administration Salaries and Wages 4'739.-</p> <p>Printing and stationery 674.-</p> <p>Sundry expenses 81.- ----- 22'198.- =====</p>	<p>£.</p> <p>Rent receivable 2'375.-</p> <p>Deficit for period 19'753.- ----- 22'198.- =====</p>

QADCO BUILDING COMPANY LTD

Operating and Profit and Loss account for period 1st May 1963 to 28th February, 1964

Wages and National Insurance	£.25'198	Work certified	£.428'450
Motor expenses	7'219	Work in progress	<u>155'232</u>
Overdraft Interest	6'283		583'682
Telephone	1'625	Less	
Travelling expenses	1'981	Building Materials	190'323
Insurance	1'823	Sub Contractors	133'464
Entertaining	1'438	Wages & Mat., Ins.	85'790
Power, Heat and Light	1'075	Plant Hire	<u>4'908</u>
Printing, stationery & postages	1'271		£. 414'485
Sundry expenses	1'187	Less stock	<u>5'500</u>
Advertising	437		408'985
Cleaning	229	Discount received	129
Rent and rates	<u>57 49'823</u>		
Loss on sale of Motor Vehicles	610		
Depreciation	<u>7'278 7'888</u>		
Net profit	<u>117'115</u>		
	£. 174'826		£174'826
	=====		=====

SCHEDULE I DOCUMENT 20

GADCO BUILDING COMPANY LIMITED

Operating and Profit and Loss Account for Period 1st May, 1963 to 28th February, 1964.

Work certified		£428,450
Work in progress		55,232
		<u>483,682</u>
<u>Deduct:</u>		
Building Materials	£190,323	
Sub Contractors	133,464	
Wages and National Insurance	85,790	
Plant hire	<u>4,908</u>	
	414,485	
Less: Stock	<u>5,500</u>	408,985
		<u>74,697</u>
<u>Deduct:</u>		
Wages and National Insurance	£ 25,198	
Motor Expenses	7,219	
Overdraft Interest	6,283	
Telephones	1,625	
Travelling Expenses	1,961	
Insurance	1,823	
Entertaining	1,438	
Power, Heat and Light	1,075	
Printing, Stationery and Postages	1,271	
Sundry Expenses	1,187	
Advertising	437	
Cleaning	229	
Rent and Rates	57	
		<u>49,823</u>
		24,874
Loss on sale of Motor Vehicles	610	
Depreciation	<u>7,278</u>	7,888
		<u>16,986</u>
<u>Add:</u>		
Discount Received		<u>129</u>
		16,857
		<u>129</u>
Net Profit		<u>£ 17,115</u>

Cadco BuildingBalance Sheet as atShare CapitalAuthorised

100 Shares £1 each

£ 100
00 00 00 00 00 00Issued and Fully Paid

2

Profit and Loss Account

17,115

17,117Loans

25,000

Current Liabilities and Provisions

Sundry Creditors

168,661

Bank Overdraft

209,623

378,284

£420,401
00 00 00 00 00 00

Company Limited28th February, 1964Fixed Assets

	<u>Cost</u>	<u>Deprⁿ</u>	<u>Net</u>
Plant	£ 7,845	3,266	4,579
Motor Vehicles	17,240	3,601	13,639
Furniture and Fittings	4,110	411	3,699
Loose Tools	1,140	-	1,140
	<u>30,335</u>	<u>7,278</u>	<u>23,057</u>

Associated Companies

Andromeda Films	£ 832	
Cadco Developments	161,171	
Cadco Livestock	8,581	
Royal Victoria Sausages Limited	53,165	
Superfine Foods Limited	9,026	
Victoria Wholesale Meats	50,921	
Lochness Foods Limited	<u>11,168</u>	294,864

Current Assets

Sundry Debtors	£ 40,405	
Stock	5,500	
Work in Progress	55,232	
Cash in Hand	<u>1,343</u>	102,480

£420,401

SCHEDULE I DOCUMENT 21

Copy as produced by DTH Kozani
 on 18.12.19. and by him
 who as sent him for
 CADCO BUILDING
 Balance Sheet as at

Share Capital Authorised

100 Shares £1 each

Issued and Fully Paid

2

S
 19.12.19 100

Profit and Loss Account

17,115

17,117

Loans

25,000

Current Liabilities and Provisions

Sundry Creditors 168,661

Bank Overdraft 209,623

378,284

420,401

COMPANY LIMITED

28th February 1964

21

<u>Fixed Assets</u>	<u>Cost</u>	<u>Deprn.</u>	<u>Net</u>
Plant	7,845	3,266	4,579
Motor Vehicles	17,240	3,601	23,639
Furniture and Fittings	4,110	411	3,699
Loose Tools	1,140		1,140
	<u>30,235</u>	<u>7,278</u>	<u>23,057</u>

Associated Companies

Andromeda Films	832	
Cadco Developments	161,171	
Cadco Livestock	8,581	
Royal Victoria Sausages	53,165	
Superfine Foods Limited	9,026	
Victoria Wholesale Meats	50,921	
Lochness Foods Limited	<u>11,168</u>	294,864

Current Assets

Sundry Debtors	40,405	
Stock	5,500	
Work in progress	55,232	
Cash in hand	<u>1,343</u>	202,480
		<u><u>420,401</u></u>

CADCO BUILDING COMPANY LIMITED

Operating and Profit and Loss Account for Period 1st May 1963 to 28th
February 1964

Work certified		428,450
Work in progress		<u>55,232</u>
		483,682

Deduct

Building materials	190,323	
Sub contractors	133,464	
Wages and National Insurance	85,790	
Plant Hire	<u>4,908</u>	
	414,485	
Less : Stock	<u>5,500</u>	408,985
		<u>74,697</u>

Deduct

Wages and National Insurance	25,198	
Motor Expenses	7,219	
Overdraft Interest	6,283	
Telephone	1,625	
Travelling Expenses	1,981	
Insurance	1,823	
Entertaining	1,438	
Power, Heat and Light	1,075	
Printing, Stationery and Postages	1,271	
Sundry Expenses	1,187	
Advertising	437	
Cleaning	229	
Rent and Rates	<u>57</u>	
		49,823
		<u>24,874</u>
Loss on sale of Motor Vehicles	610	
Depreciation	<u>7,278</u>	7,888
		<u>16,986</u>

Add

Discount Received		<u>129</u>
Net Profit		<u>17,115</u>

SCHEDULE I DOCUMENT 22

	<u>CADCO BUILDING</u>	<u>CADCO DEVELOPMENTS</u>	<u>R. V. S.</u>
Cheques	£ 33,988 18 0	£ 15,753	£ 964
Cash	15,600 0 0		
Travel cheques	10,550 0 0		
Steve Barclay	£ 3,190 0 0		
Sundries	2,100 0 0		
	<hr/>		
	65,428 18 0	15,753	964
	<hr/>		

R E C E I P T S

- | | | |
|--|----------------|------------------|
| 1. <u>CADCO BUILDING Co. Ltd.</u> | (£65,428.18.0) | Lit. 112,824,156 |
| 2. <u>CADCO DEVELOPMENTS Ltd.</u> | (£15,753.00.0) | " 27,095,160 |
| 3. <u>ROTURMAN SERVICE S.A.</u> | " | 20,640,000 |
| 4. <u>ROYAL VICTORIA SAUSAGES Ltd.</u> | (£ 96-.00.0) | " 1,630,000 |

162,189,316

MENTS ACCOUNT

1963 to 31st December, 1964

PAYMENTS1. OPTIONS AND DEPOSITS

Site at Metaponto	Lit.	30,000,000
Site at Ovindoli	"	7,500,000
Donation to Christian Democratic Party	"	20,000,000
Deposit on lease of Apartment	"	<u>400,000</u>

57,900,000

2. PLANT AND EQUIPMENT

Two motor Lorries	"	4,800,000
One tractor	"	4,000,000
Electrical equipment	"	<u>4,220,000</u>

13,020,000

3. WORK ON PROJECTS

Architects and Engineers	"	3,000,000
Surveys and borings	"	731,000
Drainage and levelling	"	3,200,000
Materials	"	5,900,000
Clearing and overhauling S.Lucia	"	<u>3,055,000</u>

15,886,000

4. OFFICE EQUIPMENT

604,477

5. ADMINISTRATION

Director's salary	"	15,000,000
Staff salaries	"	18,394,400
Rome office services	"	1,400,000
Latina office services	"	500,000
Stationery, Postage and Telephone	"	2,531,993
Legal expenses	"	<u>4,713,305</u>

42,539,698

129,950,175

R E C E I P T S

Brought forward

Lit. 162,189,316

 162,189,316

PTS ACCOUNT (continued)

P A Y M E N T S

Brought forward	Lit.	129,950,175
6. <u>ACCOMMODATION</u>		
Apartment and hotels - U.K. Personnel "		6,394,803
7. <u>TRANSPORT</u>		
Vehicle running costs	" 3,289,250	
Drivers' wages	" <u>2,182,915</u>	
		5,472,165
8. <u>TRAVELLING EXPENSES</u>		3,414,665
9. <u>ENTERTAINING</u>	"	2,522,195
10. <u>GRATUITIES</u>	"	1,896,050
11. <u>EXCESS RECEIPTS OVER PAYMENTS</u>		
in Bank	" 10,674,513	
in Hand	" <u>1,864,750</u>	
		12,539,263
		<hr/>
		162,189,316

SCHEDULE II

Royal Victoria Sausages Limited Share and Loan Capital

PART I

	<i>Allotment 18/3/60</i>	<i>Allotment 1/4/60</i>	<i>Allotment 26/8/60</i>	<i>Allotment 14/12/60</i>
<i>Ordinary Shares of £1 each</i>				
D. H. Lorraine	501			323
Mrs. M. Lorraine	1			
W. Dunlop		125		
C. P. Reeve			50	
Benitax Investments N. V.				
Bramfield Investments N. V.				
Cadco Investments N. V.				
P. H. Marsh				
L. L. F. O'Connor				
T. C. W. Roe				
Spartan Investment N. V.				
Aiglon Investment Etablissement				
Pasture Investment Etablissement				
D. A. Pease				
Tipam Investments N. V.				
	<u>502</u>	<u>125</u>	<u>50</u>	<u>323</u>

PART II

9% Redeemable Cumulative Preference Shares of £1 each (formerly 9% Debentures)

	<i>30/4/61</i>	<i>30/4/62</i>	<i>Allotment 30/7/62</i>	<i>Holding 30/4/64</i>
D. H. Lorraine	5,500	5,500	5,500	5,500
Tipam Investments N. V.	12,000	22,000	22,000	22,000
Bramfield Investments N. V.		7,000	7,000	7,000
Cadco Investments N. V.		2,700	2,700	2,700
Benitax Investments N. V.		6,300	6,300	6,300
P. H. Marsh	7,000			
	<u>24,500</u>	<u>43,500</u>	<u>43,500</u>	<u>43,500</u>

<i>Transfer 12/60</i>	<i>Transfer 12/1/62</i>	<i>Transfer 11/4/62</i>	<i>Transfer 14/6/62</i>	<i>Transfer 30/8/62</i>	<i>Allotment 30/9/62</i>	<i>Transfer 12/5/64</i>	<i>Holiday 30/4/64</i>
(200)	(301)	100	5	1 (1)	20		449
	(125)						
	(50)						35
	35						200
	185				15		100
	80				20		30
130	(190)					30	
50	(50)						1
	1						115
	100				15		100
					100		15
		25	25		15		50
	130		(30)		15	(30)	105
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
-	-	-	-	-	200	-	1,200
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

- NOTE - (1) The information contained in the above schedule has been extracted from the Register of Members.
- (2) The transfers shown on 12th January 1962 include those transfers referred to in paragraph 91.

SCHEDULE III

Particulars of Statutory Records of Other Companies in the Cadco Group

<i>Name of Company</i>	<i>Original Name if differing</i>	<i>Date of Incorporation</i>	<i>Date of last change of name</i>	<i>Authorised Capital</i>	<i>Issued Capital</i>
Cadco Engineering Prototypes Limited	Feglat Limited	1962 February 28th	1963 October 14th	£100	£2
Cadco Refrigeration Limited	Kemants Elec- trics	1962 August 1st	1963 May 20th	£100	£2
Cadco Haulage Limited	Tripsown Haulage Limited	1962 April 24th	1963 July 15th	£100	£2
Cadco Livestock Limited	-	1963 August 15th	-	£1,000	£2
Superfine Food Products Limited	Alfmore Limited	1962 April 19th	1962 October 30th	£100	£2

<i>Objects</i>	<i>Shareholders</i>		<i>Directors</i>		<i>Notes</i>
Maker of Scientific Instruments	D. H. Lorraine	1 Share	D. H. Lorraine	1962	By Minute dated 28th December 1962 88 Share allotted to Investment
	G. Sanders	1 Share	G. Sanders	September 6th September 6th	
Electrical Engineers	D. H. Lorraine	1 Share	D. H. Lorraine	September 6th	By Minute dated 28th December 1962 1 Share allotted to Roe 5 Shares allotted to H. G. Brooks 92 Shares allotted to Investment 1 Share transferred from A.R. Feldon to Investment.
	A.R. Feldon	1 Share	A.R. Feldon	1962 September 6th to December 28th	
			D. J. Black	1963 November 28th	
			T. C. W. Roe	1962	
			H. G. Brooks	December 28th 1962 December 28th to 1963 February 13th	
Motor Haulage Contractors	D. H. Lorraine	1 Share	D. H. Lorraine	1962	By Minute dated 28th December 1962 1 Share Allotted to Roe 97 Shares allotted to Investment
	A.R. Feldon	1 Share	A.R. Feldon	September 6th 1962 September 6th to 1963 December 31st 1962 December 28th	
Cattle etc. Breeders	D. H. Lorraine	1 Share	D. H. Lorraine	1963	
	A.R. Feldon	1 Share	A.R. Feldon	August 15th 1963 August 15th to December 31st November 20th December 30th	
Food etc. Retailer	D. H. Lorraine	1 Share	D. H. Lorraine		Statutory books not available
	A.R. Feldon	1 Share	A.R. Feldon	to 1963 December 31st	
			D. J. Black G. Sanders B. P. Clayton		

<i>Name of Company</i>	<i>Original Name if differing</i>	<i>Date of Incorporation</i>	<i>Date of last change of Name</i>	<i>Authorised Capital</i>	<i>Issued Capital</i>
Andromeda Films Limited	-	1962 August 7th	-	£1,000	£812
Cadco Civil Engineering Ltd.	Glinnsgrand Ltd.	1964 March 13th	1964 April 20th	£100	£2
Cadco Electric Limited	Quistcharge Limited	1963 August 8th	1963 November 5th	£100	£2
Cadco Building Co. Limited	Perifame Builders Limited	1962 August 23rd	1962 December 18th	£100	£2
Crestella Food Products Ltd.	-	1960 November 18th	-	£100	£2

NOTES:-

- (i) These particulars are based upon (a) the companies' files at the Companies Registration Office and (b) the statutory and minute books of the companies where available.
- (ii) The allotments and transfers of shares recorded in the column headed "notes" have not been recorded at the Companies Registration Office but are recorded in the minute books of the companies. No share certificates appear to have been issued to reflect these transactions.

<i>Objects</i>	<i>Shareholders</i>		<i>Directors</i>		<i>Notes</i>
Cinematograph Producers	A. R. Feldon	1 Share	A. R. Feldon	1962	By Minute dated 28th December 1962 1 Share allotted to T. C. W. Roe 1 Share allotted to G. Sanders 138 Shares allotted to Investment 48 Shares allotted to A. R. Feldon 1 Share allotted to D. H. Lorraine
	Mrs. M. Lorraine	1 Share	Mrs. M. Lorraine	August 7th August 7th to December 28th	
	D. H. Lorraine	810 Shares	D. H. Lorraine T. C. W. Roe G. Sanders	August 21st October 29th December 28th	
Civil Engineers	D. H. Lorraine	1 Share	D. H. Lorraine	1964	
	A. R. Feldon	1 Share	A. R. Feldon	April 9th April 9th	
Electrical Engineers	D. H. Lorraine	1 Share	D. H. Lorraine	1963	
	A. R. Feldon	1 Share	A. R. Feldon	September 7th September 7th to December 31st	
Builders and Contractors					Statutory books not available
Manufacturers, Wholesalers and Retailers of Food Products	D. H. Lorraine	1 Share	L. L. O'Connor	1961	
	A. R. Feldon	1 Share		April 5th to 1963	
			D. H. Lorraine	September 11th 1961	
			A. R. Feldon	April 5th April 5th to 1964 September 7th	

SCHEDULE IV

INTERNATIONAL FACTORS LIMITED

Account with Smedleys Limited

		Number of Invoices									
Balance at 1st January 1963				8,374	9	3					
January	Accepted	23	4,433	17	1						
February	Accepted	31	8,733	16	0	Cash and Credit Notes	24,501	1	1		
*	Rejected	10	2,981	18	3						
March	Accepted	17	2,485	5	11						
*	Rejected	83	36,147	1	1						
April	Accepted	13	2,831	0	0						
*	Rejected	81	40,620	2	5						
	Unidentified	2	6	17	7						
May	Accepted	34	10,570	19	5						
	Rejected	43	23,658	1	3						
June	Accepted	17	2,988	17	11						
	Rejected	65	27,625	10	11	Balance 19th June 1963				144,866	16
				£169,457	17	1					
				£169,457	17	1					

* Totals £79,749. 1. 9. (see paragraph 141)

Total invoices rejected 243 valued at £131,032. 13. 11.

SCHEDULE V

ROYAL VICTORIA SAUSAGES LIMITED

Summarised Trading and Profit and Loss Accounts

1st February, 1960 to 4th November, 1964

	1st February 1960 to 30th April 1961	Year to 30th April 1962	Year to 30th April 1963	1st May 1963 to 11th November 1964	Total 1st February 1960 to 11th November 1964
Sales	60,711	132,469	396,565	197,356	607,122
Purchases	36,365	115,624	256,219	349,654	750,462
Wrapping Materials	2,722	8,431	12,639	16,364	40,556
Opening Stock	224	2,660	21,342	63,745	224
	<u>39,851</u>	<u>126,715</u>	<u>290,500</u>	<u>450,663</u>	<u>760,262</u>
Less: Closing Stock	2,660	21,342	93,745	230	230
	<u>37,271</u>	<u>105,373</u>	<u>196,755</u>	<u>450,433</u>	<u>760,032</u>
Gross Profit/Loss	43,440 53.0%	26,916 20.3%	199,010 50.4%	(262,075) (132.0%)	6,061 1.0%
Wages	14,406	62,077	92,759	91,438	260,680
Advertising	602	23,661	6,153	3,656	34,072
Motor Vehicle Running Costs	2,749	11,861	14,600	16,344	44,614
Rent and Rates	447	875	1,123	9,176	11,421
Telephone	419	1,259	2,478	3,391	7,547
Printing, Stationery and Postage	736	2,342	3,376	4,479	11,033
Lighting, Heating and Power	324	1,717	3,385	6,100	10,524
General and Motor Insurance	272	2,201	5,236	7,693	15,702
Laundry, Cleaning, Canteen and Staff Clothing	-	3,457	3,602	3,107	10,366
Travelling and Entertaining	2,726	2,597	3,313	8,750	16,386
Repairs and Replacement of Plant, Machinery and Trade Equipment	245	4,721	4,427	2,038	11,431
Repairs to Premises	-	-	-	-	-
General Expenses	691	3,666	1,526	4,012	9,895
Discounts Allowed	-	2,186	5,413	2,637	10,236
Bank Charges and Interest	633	1,407	2,322	4,402	8,764
Accounting, Legal, Valuation Fees and Stamp Duty	5,944	5,705	1,391	1,008	14,048
Directors' Remuneration	2,625	2,000	4,000	(4,000)	4,625
Compensation to Director for Loss of Office	-	2,000	-	-	2,000
Debiture Interest (Gross)	167	3,353	3,915	(2,936)	4,499
Mortgage and Loan Interest (Gross)	330	4,647	16,384	32,042	53,403
Depreciation and Losses on Sales of Vehicles	4,149	20,179	20,122	30,699	75,259
Hire Purchase Charges	-	-	221	356	577
Factory Charges	-	-	6,816	7,117	13,733
Administration Charges	-	-	(6,709)	6,700	-
	<u>36,160</u>	<u>161,876</u>	<u>196,436</u>	<u>240,521</u>	<u>633,993</u>
Net Profit/Loss subject to taxation - appropriation	£5,280	(£134,660)	£1,374	(£502,696)	(£630,902)

SCHEDULE VI

LIST OF WITNESSES

Monday, 16th January, 1965

Mr. James Michael McDonough	-	Reporter - <i>Daily Mail</i>	
Mr. William Winter Hamilton	-	Member of Parliament	
Mr. Stanley John Little	-	Enforcement Officer	
Mr. Stanley Herbert Rickson	-	Temporary Assistant Enforcement Officer	H.M. Treasury

Tuesday, 19th January, 1965

Mr. John Archdale Barry	-	Journalist	
Mr. George Sanders (Mrs. Benita Hume Sanders and Mr. M. S. Rablin, Gershon Young & Co. Solicitors, also in attendance)	-	Film Actor. Director of Developments, R. V. S. and V. W. M.	

Wednesday, 20th January, 1965

Mr. Lynn Lewis	-	Journalist on staff of the <i>Sunday Mirror</i>	
Charles William Frederick, Marquess of Linlithgow	-	Director Developments	
Mrs. Benita Hume Sanders	-	Film Actress, Shareholder of Benitax	

Thursday, 21st January, 1965

Mr. Frederick Alan Eastwood F. C. A.	-	Partner in Walpole, Harding & Co. Chartered Accountants	
Mr. Keith Ferguson	-	Secretary and Legal Adviser to Glenrothes Development Corporation	

Thursday, 4th February, 1965

Mr. Bryan Peter Clayton	-	Managing Director of Building and Developments	
Mr. James Darragh	-	Secretary to B. O. T. A. C.	
Mr. Vincent Gurner	-	Factory Manager R. V. S.	
Mr. Cecil Percival Reeve	-	Sometime shareholder and employee in R. V. S.	

Friday, 5th February, 1965

Mr. Harold George Brooks	-	Office and Factory Manager R. V. S.	
Mr. Alfred Robert Feldon	-	Secretary Developments, R. V. S., V. W. M.	
Mr. Joseph Kinsley	-	Accountant R. V. S.	

Monday, 8th February, 1965

Miss Margaret Mary Christie	-	Clerk and later partner in Bosley & Co. Solicitors	
Mrs. Beryl Labin	-	Bookkeeper - R. V. S. and V. W. M.	
Mr. Edward John Robinson	-	Foreman Beicher R. V. S.	
Mr. John Stanley Sutcliffe F. C. A.	-	Board of Trade Accountants Division	

Tuesday, 9th February, 1965

Mr. James Richard Beebee	-	Clerk to Mr. A. A. Davis, F. C. A. Receiver of R. V. S.	
Mr. Gordon Kenneth Debrates (with Mr. Arthur Wright- Colman)	-	Director Ch. Goldref Foward Limited	
Mr. Michael Harris, A. C. A.	-	Partner in J. B. Marks & Co. Chartered Accountants	
Mr. Philip Ernest Marsh	-	Director of R. V. S.	

Wednesday, 10th February, 1965

Mr. Richard Price Botwood	-	Director and Secretary International Factors Limited	
Mr. Norman Mayer Cirval (accompanied by Mr. John Graham Matthews)	-	Partner in Wood & Co. Chartered Accountants.	

Thursday, 11th February, 1965

Mr. Mark Richard Geoffrey Cory-Wright, F. C. A.	-	Partner in Dixon, Wilson & Co. Chartered Accountants	
Mr. Bryan Leonard Mann	-	Solicitor to I. C. F. C.	
Mr. Derek Allix Pease	-	Shareholder in and loan creditor of R. V. S.	
Mr. Philip John Reader	-	Mortgage Department Eagle Star	

Monday, 15th February, 1965 (Glenrothes)

Mr. Thomas Dick Beaton	-	Architect employed by Building
Mr. James Dargie	-	Chief Finance Officer Glenrothes Development Corporation
Brigadier Richard Stanislas Doyle	-	General Manager Glenrothes Development Corporation
Mr. John McWilliam	-	Deputy Chairman Glenrothes Development Corporation
Mr. Andrew Whamond Mudie	-	Member Glenrothes Development Corporation
Mr. Robert Ronald Taylor	-	Chairman Glenrothes Development Corporation

Tuesday, 16th February, 1965 (Glenrothes)

Mr. James Cook	-	Architect employed by Building
Mr. Thomas McConnell	-	Journalist
Mr. James Mackintosh Scott	-	Architect employed by Building
Mr. Peter Tinto	-	Former Chief Architect Glenrothes Development Corporation
Mr. Kenneth Ward	-	Chief Engineer to Investment and Developments

Wednesday, 17th February, 1965 (Glenrothes)

Mr. David John Black	-	Loan Creditor of R.V.S. Director of Buildings
Mr. John Cameron Braithwood, C.A.	-	Assistant Accountant - Developments
Mr. James Michael Ferrie	-	Reporter of the Scottish Daily Express
Mrs. Ivy Doris Hutchinson	-	Receptionist Building
Mr. Archibald Mitchell Laing A.C.W.A.	-	Cost Accountant Building
Mr. Henry Brame Macnaughton	-	Works Manager Building
Col. Archibald James Simpson Watson	-	Member of Glenrothes Development Corporation

Thursday, 18th February, 1965 (Glenrothes)

Mr. Gourley Robert Lindsay-Brown, C.A.	-	Partner in Lindsay, Jamieson & Haldane, Chartered Accountants
Mr. Ronald Archibald McGlashan	-	Director Moys Shipping and Travel Limited, Kirkcaldy
Mr. James McKee, C.A.	-	Group Accountant Cadco Group

Friday, 19th February, 1965 (Glenrothes)

Mr. Walter Robert Ballantyne	-	General Manager Royal Bank
Mr. John Campbell Frame, C.A.	-	Liquidator Lochness Foods Limited
Mr. John Gentles	-	Partner James Gentles & Son Chartered Quantity Surveyors, Kirkcaldy
Mr. Alexander Smith	-	Chauffeur employed by Buildings / Developments

Monday, 22nd February, 1965

Lord Hughes	-	Formerly Chairman of Glenrothes Development Corporation
Thomas Chambers Windsor Roe	-	Chairman, Developments, R.V.S., V.W.M.

Tuesday, 23rd February, 1965

Thomas Chambers Windsor Roe	-	Recalled
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Wednesday, 24th February, 1965

Thomas Chambers Windsor Roe	-	Recalled
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Thursday, 25th February, 1965

Thomas Chambers Windsor Roe	-	Recalled
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Monday, 1st March, 1965

Mr. Alan Adair	-	Piggery Manager Cadco Livestock Limited
Mr. George Clarfelt	-	Managing Director Glen Grove Limited
Mr. Charles Francis Colvinton	-	Manager London office Rotuman Service
Mr. Ian Gray	-	Board of Trade Distribution of Industry (Regional Division)
Mr. Leo Lawrence O'Connor	-	Director of R.V.S.
Mr. Frederick George Watts	-	Clerk to Forsythe, Kerman & Phillips, solicitors to Mrs. Elliott

Tuesday, 2nd March, 1965

Mr. Oliver Brooks	-	Director Gray Dawes & Co. Limited
Mr. Kenneth Dudley James, A.C.A.	-	Formerly Articled Clerk to Walpole Barding & Co.
Mrs. Mollie Lorraine	-	Director of R.V.S. Wife of Lorraine
Mr. John Jeremy Morston	-	Former Partner in Stephenson, Harwood & Tatham Solicitors
Mr. John Stuart Scott-Whyte	-	Assistant Secretary Scottish Development Department
Mr. James Whyte	-	Chief Livestock Officer Pig Industry Development Authority

Monday, 15th March, 1965 (Paris)

Mrs. Margaret Mary Elliot	-	Loan Creditor Buildings
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Tuesday, 16th March, 1965 (Rome)

Mr. Denis Henry Lorraine	-	Managing Director of Developments, R.V.S., V.W.M.
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Wednesday, 17th March, 1965 (Rome)

Mr. Denis Henry Lorraine	-	Recalled
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Monday, 28th March, 1965

Mr. Stanley John Evan Thomas	-	Owner of butchers' business sold to Lorraine - to R.V.S.
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Thursday, 1st April, 1965

Mr. Alfred Ernest Draper	-	Reporter of the <i>Daily Express</i>
Mr. James John Reed	-	Brown Shipley & Co. Limited

Wednesday, 14th April, 1965

Mr. Gray Polden (also present Mr. Robert Charles Elton)	-	Smedleys Limited
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Thursday, 15th April, 1965

Mr. Michael Guest Bedford	-	London Manager of the Southern Publishing Co. Limited (<i>Evening Argus</i>)
Mr. William Marsden Elverston-Trickett	-	Solicitor to the Hon. William Nevills Barry

Wednesday, 21st April, 1965

Mr. Richard Price Botwood	-	Recalled
Mr. John Cameron Braidwood and Mr. Archibald Mitchell Laing	-	Recalled
Mr. Frederick Basil Cage	-	Sales Manager R.V.S.
Mr. John Archibald Demachy and and Mr. David Robert Donald	-	General Manager and Information Officer to the Scottish Council (Development and Industry)
Mr. Jacob Mordecai Menasse	-	Solicitor to Mr. W. Dunlop

Thursday, 22nd April, 1965

Mr. Harold George Brooks	-	Recalled
Brigadier Richard Stanislas Doyle	-	Recalled
Mr. Alfred Robert Feldon	-	Recalled
Mr. Joseph Kinslay	-	Recalled

Monday, 26th April, 1965

Mr. Frank Stanning Barham Foster	-	Director International Factors Limited
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Thursday, 10th June, 1965

Mr. Thomas Chambers Windsor Roe	-	Recalled
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Tuesday, 15th June, 1965

Mr. George Sanders (Mr. M.S. Robin in attendance)	-	Recalled
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BOARD OF TRADE

Cadco Developments Limited
Royal Victoria Sausages Limited
Victoria Wholesale Meats Limited

Investigation

under Section 165 (b) of the Companies Act 1948

Report by

Rondie Owen Charles Stable, Esq, Q.C.

and

Horace Owen Harrison Coulson, Esq, F.C.A.

(Inspectors appointed by the Board of Trade)

LONDON: HER MAJESTY'S STATIONERY OFFICE

1966

NOTE TO THE INSPECTORS' REPORT

In accordance with the provisions of section 169(1) of the Companies Act 1948, the Board of Trade referred the Report to both the Lord Advocate and the Director of Public Prosecutions.

After investigation by the Procurator Fiscal, and after considering the evidence and the circumstances of the case, the Lord Advocate has decided that criminal proceedings in Scotland are not warranted.

After considering the circumstances of the case the Director of Public Prosecutions has decided that there is no action he can take at the present time.

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